

11 August 2015

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NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

Alliance Resources Limited ("Company") advises that the General Meeting will be held:

- at the offices of HWL Ebsworth, Level 26, 530 Collins Street, Melbourne;
- on Thursday, 11 September 2015 at 3.00pm (AEST).

The following documents have today been sent to all shareholders of the Company:

- Chairman's Letter dated 11 August 2015 (2 pages)
- Notice Of Meeting dated 11 August 2015 (23 pages)
- Independent Experts Report dated 6 August 2015 (67 pages)
- Proxy Form (Generic) (2 pages)
- Direct Credit Form (Generic) (2 pages)

For and on behalf of the Board



Bob Tolliday
Company Secretary

Email: info@allianceresources.com.au

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

000001 000 AGS
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Dear Shareholders

On behalf of the Board of Alliance Resources Limited (**Alliance or Company**), I have pleasure in inviting you to participate in the Company's extraordinary general meeting (**Meeting**) of the shareholders of Alliance to be held on Friday, 11 September 2015 at 3pm at HWL Ebsworth Lawyers, Level 26, 530 Collins Street, Melbourne.

The purpose of the meeting is to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

Resolution 1: Disposal of main undertaking

***THAT** for the purposes of Listing Rule 11.2, and for all other purposes, approval is given for the disposal of all of Alliance Craton Explorer Pty Ltd's interest in the Four Mile Uranium Project, in accordance with the terms of the Sale and Purchase Agreement, a summary of which is contained in the Notice of Extraordinary General Meeting & Explanatory Statement (**Sale**).*

The Board of Alliance unanimously considers the Sale to be in the best interests of Alliance's shareholders and recommends that shareholders approve the Sale.

The Company has engaged PPB Advisory to provide an Independent Expert's Report on the Sale and the Capital Return. The Independent Expert has advised that, in its view, the Sale is "**fair**" and "**reasonable**" to shareholders of Alliance.

The Company has also received tax advice in relation to the Sale to the effect that the Company will not be required to pay income tax on the Sale proceeds if the Company is able to utilise its tax losses or pay GST if the Sale is a supply of a going concern. The Company should be able to utilise its tax losses if it satisfies the company loss recoupment tests, being the continuity of ownership test, or, failing that, the same business test.

Resolution 2: Return of Capital

***THAT**, subject to the passing of Resolution 1 and Completion under the Sale and Purchase Agreement, for the purposes of Section 256B and 256C of the Corporations Act and for all other purposes, the issued share capital of the Company be reduced by \$48,097,970 (assuming 400,816,419 shares on issue as at the Record Date) by returning to Shareholders on a pro-rata basis \$0.12 for each Share held on the Record Date, as more fully described in the Notice of Extraordinary General Meeting & Explanatory Statement.*

The Independent Expert has advised that, in its view, the Capital Return is "**fair**" and "**reasonable**" to shareholders of Alliance.

The purpose of the Capital Return is to return to shareholders approximately 65% of the proceeds from the Sale, while leaving sufficient cash to cover any potential tax liabilities and to pursue efforts on the Monardes Copper-Uranium Project and associated projects located in northern Chile, and other acquisition opportunities in the resource sector.

The Company considers that there is no reasonable basis upon which the Commissioner of Taxation could seek to deem the Capital Return to be an unfranked dividend. The Company has applied to the ATO for a Class Ruling seeking confirmation of the tax treatment for Australian resident shareholders of the Capital Return who hold their Shares on capital account, which will include consideration of whether the ATO will make a determination to deem all or part of the Capital Return to be an unfranked dividend. The Class Ruling is expected to be issued shortly after the Meeting if the shareholders resolve to approve the disposal of the Company's main undertaking and the Capital Return.

The Company does not wish to propose a Capital Return of an amount greater than \$0.12 per Share until the Company has determined its tax liability in respect of the Sale in the current financial year and the Class Ruling has been obtained from the ATO. Once these have been obtained it is the intention of the Directors to consider making a further distribution or capital return to shareholders within the next 12 months if the Company has cash that is surplus to its requirements.

Existing Option Holders

If any of the Company's options are exercised prior to the Record Date (and there are therefore more Shares on issue as at the Record Date), the amount of the Capital Return will increase accordingly.

The Company currently has on issue 59,644,110 options, exercisable at \$0.15 per Share and expiring on 30 September 2015. Holders of options are not entitled to participate in the Capital Return unless they exercise their options and are issued Shares in accordance with the terms of options.

Under the terms of the options, within 10 business days after the exercise of options, the Company must allot the number of Shares as set out in an exercise notice. The Record Date of 14 October 2015 has therefore been set as 10 business days after the expiry date of the Options (being the maximum time under the terms of the options that the Company may issue Shares on exercise of the Options).

Accordingly, should an optionholder wish to participate in and receive the benefit of the Capital Return, the optionholder must exercise their options by 30 September 2015 (being the expiry date of the options) at the latest.

Optionholders wishing to exercise their options should consult their stockbroker, accountant or other professional adviser (**Financial Adviser**) in relation to exercising their options.

Further information

If you have any questions or queries regarding the details contained in this document, please contact your Financial Adviser or the Company Secretary, Mr Bob Tolliday on (03) 9697 9090.

The Directors appreciate our shareholders' continued support of the Company and welcome your participation at the Meeting.

Yours sincerely

John Dunlop
Chairman

ALLIANCE RESOURCES LIMITED

ACN 063 293 336

("Alliance" or "Company")

NOTICE OF EXTRAORDINARY GENERAL MEETING & EXPLANATORY STATEMENT

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR ATTENTION

If you are in any doubt as to how to deal with it,
please consult your financial or other professional adviser.

The Independent Expert has provided an opinion that the Sale and the
Capital Return proposed in this Notice is
FAIR AND REASONABLE to the Shareholders of the Company.

The extraordinary general meeting will be held:

- at HWL Ebsworth Lawyers, Level 26, 530 Collins Street, Melbourne
- on **Friday, 11 September 2015** commencing at **3.00pm** (AEST).

You can vote by:

- attending and voting at the meeting; or
- appointing someone as your proxy to attend and vote at the meeting on your behalf, by completing and returning the proxy form to Alliance in the manner set out in section 6(a) of this notice of meeting. The proxy form (and any power of attorney under which it is signed) must be received by Alliance no later than **3.00pm** on **Wednesday, 9 September 2015**. Any proxy form received after that time will not be valid for the meeting.

ALLIANCE RESOURCES LIMITED
ACN 063 293 336

NOTICE OF EXTRAORDINARY GENERAL MEETING

The extraordinary general meeting of the Shareholders of Alliance Resources Limited (**Company**) will be held:

- on **Friday, 11 September 2015**
- at **3.00pm (AEST)**
- at **HWL Ebsworth Lawyers, Level 26, 530 Collins Street, Melbourne**

Terms and abbreviations used in this Notice and Explanatory Statement are defined in Section 4 - Definitions of the Explanatory Statement.

1. RESOLUTIONS

Resolution 1: Disposal of main undertaking

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT for the purposes of Listing Rule 11.2, and for all other purposes, approval is given for the disposal of all of Alliance Craton Explorer Pty Ltd's interest in the Four Mile Uranium Project, in accordance with the terms of the Sale and Purchase Agreement, a summary of which is contained in the Explanatory Statement."

Resolution 2: Return of Capital

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"THAT, subject to the passing of Resolution 1 and Completion under the Sale and Purchase Agreement, for the purposes of Section 256B and 256C of the Corporations Act and for all other purposes, the issued share capital of the Company be reduced by \$48,097,970 (assuming 400,816,419 shares on issue as at the Record Date) by returning to Shareholders on a pro-rata basis \$0.12 for each Share held on the Record Date, as more fully described in the Explanatory Statement."

2. VOTING RESTRICTIONS

Resolution 1: Disposal of main undertaking

The Company will disregard any votes cast on Resolution 1 by any person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if Resolution 1 is passed, or an associate of such person.

However, the Company need not disregard a vote in respect of Resolution 1 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

There is no voting restriction on Resolution 2.

3. VOTING ENTITLEMENT

The Company has determined, in accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), that the Shares quoted on ASX at 7.00 pm (AEST) on **9 September 2015** will be taken for the purpose

of the Meeting to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote (if not excluded) at the Meeting.

4. HOW TO VOTE

Shareholders entitled to vote at the Meeting may vote by attending the Meeting in person, by attorney or proxy or, in the case of corporate shareholders, by a corporate representative.

5. VOTING IN PERSON OR BY ATTORNEY

Shareholders or their attorneys wishing to vote in person should attend the Meeting. Persons are asked to arrive at least 30 minutes prior to the time the Meeting is to commence, so that their shareholding may be checked against the register and their attendance recorded. Shareholders intending to attend the Meeting by attorney must ensure that they have, not later than 48 hours prior to the time the Meeting is to commence, provided the original or a certified copy of the power of attorney to the Company, in the same manner prescribed below for the giving of proxy forms to the Company.

6. VOTING BY PROXY

- (a) Shareholders wishing to vote by proxy must complete, sign and deliver the enclosed personalised proxy form or forms, in accordance with the instructions on the form, prior to **3.00pm** (AEST) on **9 September 2015** by:

Post to: GPO Box 242, Melbourne, Victoria 3001 in the envelope provided;
Hand delivery to: Alliance Resources Limited c/- Computershare Investor Services Pty Limited, 452 Johnston Street, Abbotsford, Victoria 3067;
Fax to: Alliance Resources Limited C/- Computershare Investor Services Pty Limited on 1 800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
Online: www.investorvote.com.au ; or
Custodians: For Intermediary Online subscribers only, please visit www.intermediaryonline.com.

- (b) A Shareholder who is entitled to vote at the Meeting may appoint:
- (1) one proxy if the Shareholder is only entitled to one vote; or
 - (2) one or two proxies if the Shareholder is entitled to more than one vote.
- (c) If a Shareholder appoints one proxy, that proxy may vote on a show of hands. If a Shareholder appoints two proxies, neither proxy may vote on a show of hands.
- (d) Where the Shareholder appoints two proxies, the appointment may specify the proportion or number of votes that each proxy may exercise. If the appointment does not do so, each proxy may exercise one-half of the votes, and any fraction of votes will be disregarded.
- (e) A proxy need not be a Shareholder of the Company. In the case of joint holders, all should sign the proxy form. In the case of corporations, proxies must be executed in accordance with the Corporations Act.
- (f) To be valid, a proxy form signed under a power of attorney must be accompanied by the signed power of attorney, or a certified copy of the power of attorney.
- (g) If the abstention box on the proxy form for the item of business is marked, the proxy will be directed not to vote on a show of hands or on a poll and the relevant shares will not be counted in calculating the required majority on a poll. If no box is marked, the proxy will not be directed as to how to vote and may vote as he or she thinks fit.

- (h) If the proxy form is signed by the Shareholder but does not name the proxy or proxies in whose favour it is given, or the proxy does not attend the Meeting, the chairperson of the Meeting will act as proxy.
- (i) If you require an additional proxy form, the Company will supply it on request to the undersigned.

8. HOW THE CHAIRMAN OF THE MEETING WILL VOTE UNDIRECTED PROXIES

The chairman of the Meeting will vote undirected proxies on, and in favour of, all the proposed Resolutions.

9. VOTING BY CORPORATE REPRESENTATIVE

Corporate Shareholders wishing to vote by corporate representative should:

- (a) obtain an appointment of corporate representative form from the Registry;
- (b) complete and sign the form in accordance with the instructions on it; and
- (c) bring the completed and signed form with them to the Meeting.

DATED 11 August 2015

By order of the Board.

Robert (Bob) Tolliday
Company Secretary

ALLIANCE RESOURCES LIMITED
ACN 063 293 336

EXPLANATORY STATEMENT

A. INTRODUCTION

The purpose of this Explanatory Statement is to provide Shareholders with an explanation of the business of the Meeting and the Resolutions proposed to be considered at the Meeting of the Company on **Friday, 11 September 2015** and to assist Shareholders in determining how they wish to vote on those Resolutions. This Explanatory Statement should be read in conjunction with the Notice and forms part of the Notice.

B. BUSINESS OF THE MEETING - SUMMARY

To consider and vote on the following resolutions:

Resolution 1 - Disposal of main undertaking

Resolution 2 - Return of Capital

C. RESOLUTIONS

1. Resolution 1 – Disposal of main undertaking

1.1 The Resolution

Resolution 1 seeks Shareholders' approval for the sale by Alliance Craton Explorer Pty Ltd's interest in the Four Mile Uranium Project and all assets, rights and obligations relating to that interest on the terms set out in the Sale and Purchase Agreement.

1.2 Key terms of the Sale

As announced to ASX on 13 and 14 July 2015, the Company has advised that:

- (a) it accepted a revised offer from Quasar Resources Pty Ltd (**Quasar**) to purchase all of Alliance Craton Explorer Pty Ltd's (**ACE**) interest in the Four Mile Uranium Project, including ACE's share of uranium oxide concentrates already mined (**Product**), for a total consideration of \$73.975 million and on the terms set out in the Sale and Purchase Agreement (**Sale**);
- (b) the Sale is subject to Shareholder approval, the consent of the South Australian Minister responsible for the administration of the Mining Act 1971 to the transfer of the Tenements to Quasar and the Commonwealth Treasurer having no objection to the acquisition of ACE's interest in the Four Mile Uranium Project by Quasar; and
- (c) the conditions of the Sale require ACE and Quasar to file a stay of the current proceedings in the Supreme Court of South Australia (**2014 Proceeding**). If Shareholders approve the Sale, the 2014 Proceeding will be withdrawn. If Shareholders do not approve the Sale either ACE or Quasar may apply for an order lifting the stay. ACE and Quasar jointly applied for a stay of the 2014 Proceeding on 14 July 2015 and the Supreme Court granted the stay on 16 July 2015.

1.3 Four Mile Uranium Project

The Four Mile Uranium Project (**Project**) area is located 550 kilometres north of Adelaide in South Australia. Alliance's 100% owned subsidiary, ACE, is the registered holder of 25% of the Project. Quasar is the registered holder of 75% of the Project tenements and acts as the manager of the Project.

Heathgate Resources Pty Ltd entered into an agreement to farm-in to the EL2874 (then called Arkaroola) in 2002 and shortly afterwards assigned its rights and obligations to its affiliate Quasar. Quasar discovered

the Four Mile uranium deposits in April 2005 and continued to solely fund exploration on the Four Mile Uranium Project until a decision to mine was made by Quasar on 22 October 2008.

On 14 April 2014, in situ recovery mining of uranium commenced at Four Mile East.

Further information regarding the Four Mile Uranium Project is set out in the Company's 2014 annual report and the Company's ASX announcements.

1.4 Legal proceedings

On 12 November 2014, ACE, concerned at the lack of sales revenue in the 2014 and 2015 programs and budgets, terminated Quasar's appointment as sales and marketing agent of ACE's share of product mined at the Four Mile Uranium Project. ACE also instituted proceedings in the Supreme Court of South Australia seeking a declaration that the termination is valid, orders that ACE's share of product be delivered up to ACE and damages (being the 2014 Proceeding).

In accordance with the Sale and Purchase Agreement, on 14 July 2015, ACE and Quasar jointly applied for a stay of the 2014 Proceeding and the Supreme Court granted the stay on 16 July 2015.

1.5 Listing Rule 11.2

Shareholder approval is required under Listing Rule 11, which applies if an entity proposes to make a significant change to the nature or scale of its activities and the significant change involves the entity disposing of its main undertaking.

Listing Rule 11.2 provides that a company may not dispose of its main undertaking (that is, its main asset or business) without the approval of its shareholders.

Listing Rule 11.2 is relevant as the Sale constitutes the Company disposing of its main undertaking, being its entire 25% interest in the Four Mile Uranium Project.

Accordingly, Resolution 1 seeks Shareholder approval for the proposed Sale for the purposes of Listing Rule 11.2.

The Sale requires the approval by way of an ordinary resolution of the Shareholders of the Company.

As Quasar is not a related party of the Company, Shareholder approval for the Sale is not required for the purposes of Listing Rule 10.1.

1.6 Reason for sale of main undertaking

The Directors believe that, following an assessment of the advantages and disadvantages disclosed below, the Sale is in the best interests of the Company.

In this regard the Company has also engaged PPB to provide an Independent Expert's Report on the Sale (as proposed under this Resolution 1) and the Capital Return (as proposed under Resolution 2). The Independent Expert has advised that it is of the view that the Sale is "fair" and "reasonable" to Shareholders. The Independent Expert's Report is included in full at Schedule 1.

Potential advantages of disposal of main undertaking

The potential advantages to the Shareholders of approving Resolution 1 are:

- (a) the Sale will be beneficial to the Company and its Shareholders as a continuation of the Company's ongoing strategy of restructuring its balance sheet to ensure its ongoing financial viability;
- (b) the Sale will relieve the company of the requirement to fund its share of the operating costs of the Four Mile Uranium Project, particularly at a time when the Company's interest in the Four Mile Uranium Project is not generating realised income as forecast in the 2014 program and budget;

- (c) by discontinuing the 2014 Proceeding, the Company will not need to engage in legal proceedings to enforce its rights under the Joint Venture Agreement, and consequently, the Company can substantially reduce its corporate costs;
- (d) the Company can focus its efforts on exploration at the Monardes Copper-Uranium Project located in the eastern margin of the Monardes basin and associated projects in northern Chile;
- (e) the Company can realise its key asset at fair market value. The Directors have conducted an extended sale process for the Company's interest in the Project and now have the opportunity to divest this interest to Quasar, the other joint venture party. The Directors believe that Quasar's offer maximises value for Shareholders;
- (f) the Sale delivers the immediate potential return of capital to Shareholders. In this regard the Sale will deliver a cash consideration to the Company that is greater than the net book value of the Project. As a result, the Directors are proposing to return the majority of the proceeds to Shareholders by way of the Capital Return;
- (g) the Sale removes the requirement for continually funding a developing mining project. The Company will no longer have the continual requirement to fund the Project that has been onerous on the Company with its limited funding resources; and
- (h) the Company can use the proceeds of the Sale (after payment of the Capital Return) to seek other investment opportunities.

Potential disadvantages of disposal of main undertaking

The potential disadvantages to the Shareholders of approving Resolution 1 are:

- (a) the Company will no longer have an interest in the Four Mile Uranium Project;
- (b) the Company will be changing the scale of its activities by a significant extent through the disposal of its major asset, which may not be consistent with the investment objectives of all Shareholders;
- (c) the Company will lose its potential income earning asset. The Project was the Company's key potential income generating asset, with revenue expected to be generated in late 2015 calendar year. The Company's other exploration assets are at a very early stage of development with no immediate expectation of income generation;
- (d) the Sale may affect the Company's ability to remain listed on the ASX, as it may no longer meet the trading activity requirements. As a result of the Sale, the size of the Company's asset base and operating activities will reduce significantly;
- (e) the Company will continue to incur various costs (including listing costs) and such costs may ultimately result in a further reduction in value to Shareholders. The Company's asset base will become non income generating while the majority of operating costs will remain unchanged, thereby contributing to the erosion of Shareholder value; and
- (f) it will reduce the Company's exposure to uranium. Shareholders that elected to invest in the Company for exposure primarily to uranium will need to seek exposure through other investments.

1.7

Overview of the proposed Sale

Below is an overview of the proposed Sale including the material terms of the Sale and Purchase Agreement.

(a) Sale and Purchase Agreement

On 14 July 2015, the Company, ACE and Quasar entered into a Sale and Purchase Agreement. The Sale and Purchase Agreement provides that the Company will:

- (i) transfer the Assets, free from security interests, on the Completion Date. The "**Assets**" include the following:
 - (A) ACE's right, title and interest in the Tenements;
 - (B) any permit, licence, consent, approval, registration, accreditation, certification or other authorisation held for the purpose of the Joint Venture or the Four Mile Uranium Project which is capable of transfer;
 - (C) the intellectual property and intellectual property rights owned (or partly owned) by ACE and either used or exercised in connection with the Joint Venture;
 - (D) all infrastructure, facilities, plant and equipment held by or on behalf of the Joint Venture;
 - (E) all of the Product; and
 - (F) the mining information which relates to the Four Mile Uranium Project; and
- (ii) all of ACE's rights and liabilities under the contracts relating to the Four Mile Uranium Project.

(b) Material terms of the Sale and Purchase Agreement

- (i) Consideration

The consideration for the Sale is \$73,975,000 (**Consideration**). The Consideration is payable on Completion, which is no later than five Business Days after the last of the Conditions Precedent are satisfied, or such other day agreed to in writing.

ACE is also entitled to retain its \$840,225 term deposit representing an environmental Performance Bond it has in place relating to the Project.

- (ii) Conditions Precedent to Completion

Completion will not proceed unless and until the following conditions are fulfilled in accordance with the Sale and Purchase Agreement:

- (A) the Minister approves or consents, or indicates his approval or consent, to the transfer by ACE to Quasar of ACE's right, title and interest in the Tenements under the Mining Act on an unconditional basis or subject to conditions which are satisfactory to Quasar, acting reasonably;
- (B) the Company has obtained the approval of its ordinary shareholders of the sale of the Assets to Quasar pursuant to the Sale and Purchase Agreement for the purposes of Listing Rule 11; and
- (C) the Treasurer:
 - (1) ceases to be empowered to make an order under Part II of the *Foreign Acquisitions and Takeovers Act 1975* (Cth) in respect of the acquisitions contemplated by the Sale and Purchase Agreement; or
 - (2) gives Quasar advice in writing of a decision by the Treasurer that the Commonwealth Government has no objection to the acquisition contemplated by the Sale and Purchase Agreement,

whichever first occurs (**Conditions Precedent**).

(iii) Stay in 2014 Proceeding

In accordance with the Sale and Purchase Agreement, on 14 July 2015, ACE and Quasar jointly applied, and on 16 July 2015 were granted, a stay of the 2014 Proceeding.

If the Sale and Purchase Agreement is terminated before Completion occurs, then either ACE or Quasar may apply for an order that the stay of the 2014 Proceeding be lifted and that application shall be consented to by the party that did not make the application.

(iv) Warranties

The Sale and Purchase Agreement contains standard warranties in relation to status, power, authorisation and solvency. ACE also provided limited warranties under the Sale and Purchase Agreement, including that:

- (A) ACE is the sole beneficial owner of the Assets free from all security interests, and it has full right and authority to sell and dispose of the Assets to Quasar subject to satisfaction of the conditions of the Sale and Purchase Agreement; and
- (B) there are no actions, claims or other proceedings (other than proceedings to which Quasar is party) pending or threatened against ACE in any court or other tribunal or made or initiated by any Governmental Agency which in any way might call into question the title of ACE to the property referred to in sub-clause (A) above.

(v) Termination

The Agreement may be terminated if, in the reasonable opinion of Quasar, any of the Conditions Precedent are incapable of being fulfilled, or are not fulfilled, by 12 October 2015 (being 90 days after the date of the Sale and Purchase Agreement).

On termination of the agreement, other than specified clauses, the Sale and Purchase Agreement will be null and void and of no effect.

1.8 **Effect of the Sale on the Company**

(a) Effect of the Sale on the Company's future earnings

The Sale may have a material effect on the Company's future potential earnings going forward.

Effect of the Sale on Alliance Group's consolidated statement of financial position

As the Consideration offered by Quasar is 100% cash, implementation of the Sale will have no impact on existing Shareholders' voting and equity participation interests in Alliance.

Implementation of the Sale will have a material impact on the composition and nature of the assets and liabilities of the Company.

Section 1.1 of the Independent Expert's Report sets out the pro-forma balance sheet of Alliance as at 31 December 2014 assuming completion of the Sale.

Effect of the Sale on Alliance Group's consolidated statement of comprehensive income

Should the Sale be approved by Shareholders, Alliance will be left with limited (if any) business operations and its material assets will consist of its existing exploration assets and cash, comprising existing cash and the Consideration.

The Independent Expert's Report summarises the historical operating performance of the continuing operations of Alliance (ie excluding its interest in the Project). Operating costs are expected to reduce significantly.

(b) Effect of the Sale on the Board and management

The Sale will not result in any change to composition of the Board.

(c) Effect of the Sale on the capital structure

The number of Shares on issue in the Company will remain unchanged as a result of the Sale.

(d) Effect of the Sale on the corporate structure

The corporate structure will remain unchanged as a result of the Sale.

(e) Tax Impact of the Sale

(i) Income Tax

The sale of the Assets to Quasar will give rise to a gain that must be included as assessable income of the Company in the income year ended 30 June 2016.

However, the Company will not be required to pay income tax on the sale of the Assets to Quasar if the Company is able to utilise its tax losses. The Company should be able to utilise its tax losses if it satisfies the company loss recoupment tests, being the Continuity of Ownership test, or, failing that, the Same Business Test.

The Continuity of Ownership Test is modified for listed entities such as the Company to make it easier for a listed entity to satisfy the Continuity of Ownership Test. The modified Continuity of Ownership Test is satisfied if the Company can show that more than 50% of the beneficial owners of the Company hold shares at the start of the income year the loss was incurred and the end of each income year up until the income year the tax losses are being utilised. All of the Company's shareholders who directly hold an interest in the Company that is less than 10% are treated as a single beneficial owner for the purposes of the modified Continuity of Ownership Test.

As at 30 June 2015, the Company satisfies the modified Continuity of Ownership Test as shareholders who own less than 10% of the shares of the Company at the start of each loss year and at the end of the income year aggregate to more than 50%.

However, as the Sale occurs in the income year ended 30 June 2016, the Company will also be required to analyse its shareholders as at 30 June 2016. On the basis that the shareholders who own less than 10% of the shares of the Company aggregate to more than 50% at as at 30 June 2016, the Company should be able to satisfy the modified Continuity of Ownership Test.

Accordingly, after allowing for the prior year tax losses, the Company should not be required to pay income tax on the transfer of the Assets to Quasar.

Shareholders need to be aware however, that until that date (30 June 2016), there is a risk that the Continuity of Ownership Test potentially may not be passed. Such a result could jeopardise one or more years currently available tax losses and expose the Company to a potential tax liability. Whilst the Board are of the belief that the prospects of this event occurring is low, they believe that until there is greater certainty it is prudent to retain sufficient funds to cover such an eventuality.

(ii) Goods and services tax (GST)

The Sale should not be subject to GST on the basis that it should qualify as a supply of a going concern. The Company will transfer to Quasar all of the things that are necessary for

the continued operation of the Project. The Company and Quasar have agreed in writing that the Sale is a supply of a going concern for GST purposes.

(f) The Company's intentions post Completion

Following Completion of the Sale the Company proposes to:

- (i) assess its further exploration efforts on its Chilean copper-gold-silver-uranium projects;
- (ii) consider other mineral investment opportunities; and
- (iii) consider the form of any further distribution or capital return to Shareholders in addition to the Capital Return proposed under Resolution 2.

1.9 **Independent Expert's Report**

The Company has engaged PPB to provide an Independent Expert's Report on the Sale (as proposed under this Resolution 1) and the Capital Return (as proposed under Resolution 2). While an Independent Expert's Report is not required for a resolution proposed under Listing Rule 11.2, the Company has obtained such report to provide Shareholders with all necessary information that may assist Shareholders making an informed decision on this Resolution.

The Independent Expert has advised that it is of the view that the Sale is "fair" and "reasonable" to Shareholders. The Independent Expert's Report is included in full at Schedule 1.

1.10 **Additional Information**

(a) Indicative Timetable

Subject to the Listing Rules and Corporations Act requirements, the Company anticipates Completion of the Sale in accordance with the following timetable (assuming that Resolution 1 is passed):

Event	Date - 2015
Signing of Sale and Purchase Agreement	14 July
General meeting held to approve the Sale	11 September
Conditions Precedent anticipated to be fulfilled (approximate) ¹	11 September
Completion ²	18 September
Record Date ³	14 October 2015
Date of completion of Capital Return ³	28 October 2015

- 1. The Conditions Precedent to the Sale are set out in Section 1.7(b)(ii).
- 2. The Completion Date occurs no later than five Business Days after the last of the Conditions Precedent are satisfied, or such other day agreed to in writing.
- 3. See Resolution 2 explanation below for further information regarding the timetable for the Capital Return.

These dates are indicative only and may be subject to change.

(b) Implications if the Sale does not proceed

If the Sale does not proceed:

- (i) the Company will maintain its participating interest in the Four Mile Uranium Project;
- (ii) the Company may require additional capital if it elects to contribute to any future programs for budgets to fund its interest in the Four Mile Uranium Project; and

- (iii) the Company may require additional capital if it does not elect to contribute to any future programs and budgets to fund its interest in the Four Mile Uranium Project.

(c) Directors' interests

The Directors do not have any material interest in the outcome of Resolution 1 other than as a result of their interest arising solely in the capacity as Shareholders.

No Director will receive any payment or benefit of any kind as a consequence of the Sale other than in their capacity as a Shareholder, and as proposed under Resolution 2.

Set out below are details of each of the Directors' and their personal related entities' relevant interest in Shares as at the date of this Explanatory Statement:

Director	Number of Shares	Options
Mr John S F Dunlop	6,715,938	Nil
Mr Steve Johnston	5,647,113	130,290
Mr Ian Gandel	103,852,450	15,977,300
Mr Tony Lethlean	1,950,001	300,001

(d) The Company's share price

The table below provides a general indication of the historical trading price of Shares and the trading volume of Shares in the last 52 weeks as at 5 August 2015:

5 August 2015	12.5 cents
52 week high on 17 September 2014	25.5 cents
52 week low on 6 February 2015	5.8 cents
Average daily volume	415,873 shares

1.11 Other material information

(a) ASX Announcements

The Company is a "disclosing entity" for the purposes of section 111AC of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations. These disclosure obligations require the Company to disclose to the ASX any information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Since the announcement of the results of the Company's last annual general meeting on 26 November 2014, the Company has made the following announcements:

Date	Announcement
28/11/2014	Change in Substantial Holding for ORS
02/12/2014	Non-renounceable Rights Issue to Raise up to \$4.96 Million
02/12/2014	Prospectus
02/12/2014	Appendix 3B - Non-renounceable Rights Issue
03/12/2014	Letter to Shareholders regarding Rights Issue
03/12/2014	Letter to Overseas Shareholders regarding Rights Issue
05/12/2014	Change in Substantial Holding for ORS
08/12/2014	Loan Facility and Cash Call Payment
10/12/2014	Four Mile - Production Status
16/12/2014	Lodgement of Supplementary Prospectus
29/12/2014	ITOCHU Does Not Convert Deferred Share Rights
16/01/2015	Entitlement Issue Closes 19 January 2015
20/01/2015	Four Mile - Production Status
21/01/2015	Trial Date Listed For 7 April 2015

22/01/2015	Non-Renounceable Rights Issue - Notification Of Shortfall
27/01/2015	Issue of Ordinary Shares and Options incl. Appendix 3B
28/01/2015	Appendix 3Y - Change of Director's Interest Notice
28/01/2015	Notice of Change of Interests of Substantial Holder
30/01/2015	Four Mile Drilling Update
30/01/2015	Further High Grade Copper-Uranium Results Chile
30/01/2015	Quarterly Activity and Cashflow Reports
02/02/2015	Appendix 3B
23/02/2015	Offer To Purchase ACE's Interest In Four Mile Rejected
24/02/2015	Four Mile Northeast Exploration Target Update
25/02/2015	Rights Issue Shortfall Book Closed
04/03/2015	Final Placement Of Shortfall and Appendix 3B
16/03/2015	Half Yearly Report and Accounts
20/03/2015	Amended Announcement Exploration Target Four Mile North East
31/03/2015	Trial Date Change
22/04/2015	Four Mile Project Drilling Update
27/04/2015	3rd Quarter Activity and Cashflow Report - 31 March 2015
01/06/2015	Four Mile - ACE Versus Quasar Hearing Completed
04/06/2015	ACE Issued with Permit to Possess Nuclear Material
26/06/2015	Mineral Resource Estimate - Four Mile Northeast
02/07/2015	\$71.3 million Offer from Quasar for ACE's Four Mile Interest
13/07/2015	\$73.975 MILLION OFFER FROM QUASAR ACCEPTED
14/07/2015	Four Mile Project - Sale to Quasar Resources
30/07/2015	4th Quarter Activity and Cashflow Report - 30 June 2015

Further information can also be found on the Company's website:

<http://www.allianceresources.com.au>

1.12 Voting requirements and exclusion

Resolution 1 is an ordinary resolution and so requires the approval of more than 50% of the votes cast by Shareholders.

The Company will disregard any votes cast on Resolution 1 by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 1 is passed, or an associate of such person.

However, the Company need not disregard a vote in respect of Resolution 1 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by a person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

1.13 Directors' Recommendation

The Directors unanimously recommend to Shareholders that they vote in favour of Resolution 1 at the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.

The Independent Expert has advised that it is of the view that the Sale is "fair" and "reasonable" to Shareholders. The Independent Expert's Report is included in full at Schedule 1.

2. Resolution 2 - Return of Capital

2.1 Background

Following the Sale, the Company will hold cash of approximately \$73 million, the majority of which it considers are surplus to its requirements to maintain its remaining operations. The Company considers that a return of some of this capital to Shareholders is justified in these circumstances, in the form of an equal capital reduction.

The Company intends to distribute \$0.12 per Share (approximately \$48,097,970) in cash to Shareholders by way of an equal capital reduction (**Capital Return**). Subject to Completion of the Sale occurring, the record date for determining entitlements to receive the Capital Return is 14 October 2015 (**Record Date**).

The Company has applied to the Australian Taxation Office (**ATO**) for a Class Ruling seeking confirmation of the tax treatment for Australian resident shareholders of the Capital Return who hold their shares in the Company on capital account. The Class Ruling is expected to be issued shortly after the Meeting if the Shareholders resolve to approve the disposal of the main undertaking and the Capital Return.

If:

- (a) Resolution 1 is not passed at the Meeting, then Resolution 2 will not be proposed; or
- (b) Resolution 1 is passed but Completion of the Sale does not occur, then the Company will not proceed with the Capital Return.

2.2 Timetable

The Company currently proposes the following timetable for the Capital Return in accordance with the Corporations Act and the Listing Rules:

Event	Date
Final date for proxies for the General Meeting to be submitted	9 September 2015
Meeting held and approval of Capital Return	11 September 2015
Trading in Shares on an 'ex Capital Return basis'	12 October 2015
Record Date for Capital Return**	14 October 2015

This timetable is indicative only and subject to change.

2.3 Reasons for the Capital Return

The purpose of the Capital Return is to return to Shareholders approximately 65% of the proceeds as from the Sale of the Four Mile Uranium Project, while leaving sufficient cash to pursue efforts on the Monardes Copper-Uranium Project and associated projects located in northern Chile, and other acquisition opportunities in the resource sector.

The Company does not wish to propose a Capital Return of an amount greater than \$0.12 per Share at this time until the Company has determined its potential tax liability (if any) in respect of the Sale in the current financial year (see Section 1.8(e)(i)) and the Class Ruling has been obtained from the ATO (see Section 2.7). Once these have been determined and the Class Ruling has been obtained, it is the intention of the Directors to consider making a further distribution or capital return to Shareholders within the next 12 months if it is determined that the Company has cash that is surplus to its requirements.

2.4 Calculation of the amount of the Capital Return

The Capital Return will be \$0.12 per Share which equates to \$48,097,970 in aggregate (assuming 400,816,419 Shares are on issue on the Record Date). If any of the Company's options are exercised prior to the Record Date (and there are therefore more Shares on issue as at the Record Date), then the amount of the Capital Return will increase accordingly.

2.5 Optionholders

As at the date of this Notice, the Company has on issue 59,644,110 options, exercisable at \$0.15 per Share and expiring on 30 September 2015. Holders of options are not entitled to participate in the Capital Return unless they exercise their options and are issued Shares in accordance with the terms of options.

Under the terms of the options, within 10 business days after the exercise of options, the Company must allot the number of Shares as set out in an exercise notice. The Record Date of 14 October 2015 has therefore been set as 10 business days after the expiry date of the Options (being the maximum time under the terms of the options that the Company may issue Shares on exercise of the Options). Accordingly, should an optionholder wish to participate in and receive the benefit of the Capital Return, the optionholder must exercise their options by 30 September 2015 (being the expiry date of the options) at the latest.

Optionholders wishing to exercise their options should consult their stockbroker, accountant or other professional adviser in relation to exercising their options.

2.6 Requirements for the Capital Return

(a) Corporations Act

For the purposes of section 256B (2) of the Corporations Act, the Capital Return the subject of this Resolution 2 is an "equal capital reduction" because:

- (a) it relates only to ordinary shares in the Company;
- (b) applies to each holder of ordinary shares in the Company in proportion to the number of ordinary shares they hold in the Company; and
- (c) its terms are the same for each holder of ordinary shares in the Company.

Under Section 256B(1) of the Corporations Act, a company may reduce its capital provided three requirements described below are satisfied:

- (a) the capital reduction must be fair and reasonable to the company's shareholders as a whole;
- (b) the capital reduction must not materially prejudice the company's ability to pay its creditors; and
- (c) the capital reduction must be approved by ordinary resolution of shareholders under Section 256C of the Corporations Act.

(b) Directors' opinion

Resolution 2 seeks Shareholder approval of the Capital Return, for the purposes of Section 256C of the Corporations Act.

The Directors are of the opinion that the Capital Return is "fair" and "reasonable" to all Shareholders as it will apply to all Shareholders on the Record Date equally, in proportion to the number of shares which they hold at the Record Date.

In this regard the Company has also engaged PPB to provide an Independent Expert's Report on the Capital Return (as proposed under Resolution 2) and the Sale (as proposed under this Resolution 1). The Independent Expert has advised that it is of the view that the Capital Return is "fair" and "reasonable" to Shareholders. The Independent Expert's Report is included in full at Schedule 1.

The Directors are also of the opinion that the Capital Return will not materially prejudice the Company's ability to pay its creditors after having reviewed and considered the financial position of

the Company following Completion of the Sale, including the Company's assets, liabilities, cashflow and capital requirements. In particular, the Company will have sufficient cash resources to pay its creditors after the Capital Return.

(c) Advantages

The primary advantage in approving the Capital Return is that it will enable the Company to repatriate capital to its Shareholders, which is in excess of its requirements following Completion of the Sale. Also, as there are no transaction costs, Shareholders participating in the Proposed Capital Return will be able to do so without incurring any costs.

(d) Disadvantages

A disadvantage of the proposed Capital Return is that following its implementation the Company will have a reduced capital base from which to operate. However, the Directors are of the opinion that the capital base following Completion of the Sale will be in excess of the Company's requirements. Also, the post Capital Return net cash reserves of approximately \$25 million will be sufficient to pursue acquisition opportunities in the resource sector and to satisfy any potential tax liability in respect of the Sale. Further funds of course can be raised by Share issues and placements and, depending upon any project acquired, debt financing or quasi debt financing are further options.

2.7 Effect of the Capital Return

(a) Effect on financial position and performance

Cash reserves

The Capital Return will be paid entirely from the Company's existing cash reserves. As indicated above, this is to be facilitated by the Sale. The effect of the Capital Return is that the Company's cash reserves will be reduced by the amount of capital (cash) returned (paid) to Shareholders (approximately \$48,097,970, assuming 400,816,419 Shares on issue as at the Record Date), while at the same time the paid up capital will decrease by the corresponding amount. The Company will have sufficient cash reserves to pay its creditors after the Capital Return.

Pro-Forma Financial Performance

Should the Proposed Capital Return be approved by Shareholders, Alliance will be left with limited business operations and its material assets will consist of exploration assets and minimal cash.

Pro-Forma Balance Sheet

Implementation of the Capital Return will have a material impact on the assets and liabilities of the Company. Set out at Section 1.2 of the Independent Expert's Report is the pro-forma balance sheet of Alliance as at 31 December 2014 assuming the completion of the Capital Return.

(b) Effect on capital structure

For the purposes of Listing Rule 7.20, the Company provides the following information to Shareholders regarding the effect of the Capital Return on its securities.

The Company has 400,816,419 Shares and 59,644,110 options on issue as at the date of this Notice.

The Company's Share capital will be reduced by \$0.12 per Share which at the date of this Notice amounts to approximately \$73 million to approximately \$25 million.

No Shares will be cancelled and the number of Shares held by Shareholders will not change as a result of the Capital Return. No fractional entitlements will arise from the Capital Return. All Shares issued by the Company are fully paid.

As at the Record Date, there will be no options on issue as all options will have either exercised or lapsed as at 30 September 2015 (being the expiry date of the options).

(c) Effect on Share price

The Company's Shares are expected to trade at a lower price after the Capital Return is made than their trading price immediately prior to the "ex" date for the Capital Return.

2.8 **Indicative income tax consequences for Shareholders**

(a) Introduction

The following summary of the potential tax consequences of the Capital Return applies to Shareholders who are residents of Australia for tax purposes. Non-resident Shareholders should obtain their own tax advice about the implications of the Capital Return for their Australian tax obligations and the tax implications in their country of residence.

The Company is seeking a Class Ruling from the ATO in relation to the tax treatment of the Capital Return for the Australian resident Shareholders who acquired and hold their Shares as capital assets. Once the Class Ruling has been issued by the ATO, a Shareholder may rely on that Class Ruling when preparing their income tax return.

These comments are general in nature and all Shareholders should seek their own taxation advice from their accountant or tax agent which addresses the taxation consequences of the Capital Return. Neither the Company nor any officers of the Company nor the Company's advisers accept any liability or responsibility with respect to the tax consequences of the Capital Return for Shareholders.

(b) Taxation of Australian resident shareholders

This section summarises the Australian income and capital gains tax implications of the proposed Capital Return for Australian resident Shareholders who hold their Shares on capital account.

This summary does not consider the income tax implications of the Capital Return for:

- (i) Shareholders who are not Australian tax residents; or
- (ii) Shareholders who are Australian tax residents that hold their shares in the Company on revenue account.

This summary is not intended to be comprehensive and is based on the Company's understanding of the Australian income tax legislation in force at the date of the Notice. The taxation laws are complex and Shareholders need to obtain professional advice in relation to the application of the tax laws to the proposed Capital Return in their individual circumstances. Neither the Company nor any of its officers, employees or advisers assumes any liability or responsibility for advising Shareholders about the tax consequences for them of the proposed Capital Return.

Capital Return

Receipt of the Capital Return will give rise to a capital gains tax (CGT) event for Shareholders. The tax consequences arising on receipt of the Capital Return will depend on the Shareholder's cost base of their Shares. A Shareholder's cost base will generally be the acquisition cost of the Shares, plus any cost incurred incidental to acquiring the Shares (such as brokerage fees).

A Shareholder will make a capital gain to the extent that the Capital Return exceeds the cost base of their Shares. Shareholders may be eligible for a CGT discount (of 50% for individuals and trusts and 33% for superannuation funds) in respect of any capital gain made provided the Shares were acquired at least 12 months before the capital return. Companies are not eligible for the CGT discount.

Where the Capital Return does not exceed the cost base of their Shares, a Shareholder's cost base and reduced cost base of their Shares will be reduced by the amount of the Capital Return. Shareholders will not make a capital gain in this case.

Application of section 45A, 45B and 45C of the Income Tax Assessment Act 1936 (ITAA 1936)

Sections 45A and 45B of the ITAA 1936 are two anti-avoidance provisions in the tax law that, if either applies, allow the Commissioner to make a determination that section 45C applies. The effect of such a determination is that all or part of the Capital Return paid to the Shareholder would be treated as an unfranked dividend that is paid by the Company.

The Company considers that there is no reasonable basis upon which the Commissioner of Taxation could seek to deem the Capital Return to be an unfranked dividend. The Company has applied to the ATO for a Class Ruling seeking confirmation of the tax treatment for Australian resident shareholders of the Capital Return who hold their Shares on capital account, which will include consideration of whether the ATO will make a determination to deem all or part of the Capital Return to be an unfranked dividend. The Class Ruling is expected to be issued shortly after the Meeting if the Shareholders resolve to approve the disposal of the Company's main undertaking and the Capital Return.

2.9 **Other information**

(a) Directors' interests

No Director will receive a payment or benefit of any kind as a result of the Capital Return, other than as Shareholders of the Company.

The interests of each Director and / or their associate(s) in Shares as at the date of this Notice is set out in Section 1.10(c).

(b) Limited amount of Capital Return

The Company does not wish to propose a Capital Return of an amount greater than \$0.12 per Share at this time until the Company has determined its tax liability in respect of the Sale in the current financial year (see Section 1.8(e)(i)) and the Class Ruling has been obtained from the ATO (see Section 2.7). Once these have been determined and the Class Ruling has been obtained, it is the intention of the Directors to consider making a further distribution or capital return to Shareholders within the next 12 months if it is determined that the Company has cash that is surplus to its requirements.

Following the Sale and the Capital Return, the Directors will also assess the status of the Company's ongoing operations such as the Monardes Copper-Uranium Project and associated projects located in northern Chile, and its other assets, such as its shareholding in Octagonal Resources Limited (ASX:ORS).

(c) No other material information

Other than as set out in this Notice and information previously disclosed to Shareholders, there is no information known to Directors which might reasonably be expected to be material to the making of a decision by Shareholders whether or not to vote in favour of Resolution 2.

(d) Capital Return - Payment methods

Shareholders with a registered address in Australia or New Zealand will receive the Capital Return payment by direct credit in Australian Dollars or New Zealand Dollars to their nominated financial institution account. If financial institution account details are not provided the Capital Return will be withheld until such time the Shareholder provides the relevant details. Other overseas Shareholders will receive the Capital Return payment by Australian Dollar cheque. Financial institution account details must be received by Computershare by 5.00pm (AEDT) on the Record Date, 14 October 2015.

Australian and New Zealand shareholders should provide their financial institution account details either:

- Online – Log into Computershare's Investor Centre website at www.investorcentre.com; or
- Post to: Computershare, GPO Box 242, Melbourne Victoria 3001; or
- Fax to Computershare on: (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555

Computershare is able to answer any questions in relation to the payment process on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).

2.10 **Directors' Recommendation**

The Directors unanimously recommend to Shareholders that they vote in favour of Resolution 2 at the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.

The Independent Expert has advised that it is of the view that the Capital Return is "fair" and "reasonable" to Shareholders. The Independent Expert's Report is included in full at Schedule 1.

3. **Other Information**

3.1 **Foreign jurisdictions**

This Explanatory Statement has been prepared to comply with Australian law and has only been made available to Shareholders.

This Explanatory Statement should not be distributed to anyone other than Shareholders, other than by any Shareholder in receipt of this Explanatory Statement who holds Shares on behalf of a beneficial owner, to that beneficial owner, provided that either that beneficial owner is resident in Australia, or sending this Explanatory Statement to that beneficial owner does not constitute a breach of foreign securities laws.

Failure to comply with such restrictions may find you in violation of applicable securities laws. The distribution of this Explanatory Statement outside Australia may be restricted by law. If you come into possession of this Explanatory Statement, you should observe any such restrictions.

This Explanatory Statement has been prepared having regard to Australian disclosure requirements. These disclosure requirements may be different from those in other countries.

3.2 **ASX involvement**

A copy of the Notice, including this Explanatory Statement has been lodged with ASX, and neither ASX nor any of its officers takes any responsibility for the contents of these documents.

3.3 Not investment advice

The information provided in this Explanatory Statement is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. Accordingly, nothing in this Explanatory Statement should be construed as a recommendation by the Company, or any associates of the Company, or any other person concerning an investment in the Company.

If you are in doubt as to the course of action you should follow, you should seek advice on the matters contained in this Explanatory Statement from a solicitor, stockbroker, accountant or other professional financial adviser immediately.

3.4 No other representation

No person is authorised to give any information or make any representation in connection with the transactions described in this Explanatory Statement, which is not contained in this Explanatory Statement. Any information or representation not contained in this Explanatory Statement may not be relied on as having been authorised by the Company in connection with the proposed Sale.

3.5 Other information

Other than any information already released to ASX by the Company, there is no further information as at the date of this Explanatory Statement known to the Board that is material to the decision of Shareholders on how to vote on the Resolutions that is not set out in this Explanatory Statement.

If any Shareholder is in doubt as to how to vote on the Resolutions or how the Resolutions may affect Shareholders, the Shareholder should seek advice from their solicitor, stockbroker, accountant or other professional financial adviser immediately.

Certain information in this Explanatory Statement is subject to change. If that information is not materially adverse to Shareholders, including with respect to the Sale, it will be updated and made available to you on the Company's website <http://www.allianceresources.com.au> or a paper copy of any updated information will be provided to you (free of charge) by calling the Company's share registrar, Computershare Investor Services Pty Limited on 1300 850 505 (within Australia) or on +61 3 9415 4000 (outside Australia) at any time from 8.30am to 5.00pm (Melbourne time) Monday to Friday. If there is a materially adverse change to the information or a materially adverse omission from this Explanatory Statement, the Company will issue a new or supplementary Explanatory Statement.

4. Definitions

In this Notice and the Explanatory Statement:

\$ means Australian dollars.

2014 Proceeding means the Supreme Court of South Australia Proceeding No. SCCIV-14-1480.

AEDT means Australian Eastern Daylight Time.

AEST means Australian Eastern Standard Time.

ACE means Alliance Craton Explorer Pty Ltd ACN 095 337 385.

Alliance Group means the Company and its Subsidiaries.

Assets means the "Assets" as defined in the Sale and Purchase Agreement, and as set out in Section 1.7(a)(i).

ASX means ASX Limited ACN 008 624 691.

ATO means the Australian Taxation Office.

Board means the board of Directors.

Business Day means a day which is not a Saturday or Sunday or a public holiday in Adelaide, South Australia or Melbourne, Victoria.

Capital Return means the distribution of \$0.12 per Share (approximately \$48,097,970 in aggregate assuming 400,816,419 shares on issue as at the Record Date) in cash to Shareholders by way of an equal capital reduction as proposed under Resolution 2.

Class Ruling means a class ruling issued by the ATO in relation to the tax implications for the Company and Shareholders resulting from the Capital Return.

Company or **Alliance** means Alliance Resources Limited ACN 063 293 336.

Completion means completion of the Sale.

Completion Date means the date of Completion which is not later than five Business Days after the date on which the last of the Conditions Precedent have been satisfied under the Sale and Purchase Agreement, or such other date as the Parties may agree in writing.

Conditions Precedent means the conditions precedent to the Sale as defined in the Sale and Purchase Agreement, and as set out in Section 1.7(b)(ii).

Consideration means \$73.975 million, being the amount payable by Quasar to ACE in accordance the Sale and Purchase Agreement.

Constitution means the constitution of the Company.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Explanatory Statement means the explanatory statement attached to the Notice.

Four Mile Uranium Project means ML6402 and EL5017 located 550 kilometres north of Adelaide in South Australia owned by the Joint Venture.

Governmental Agency means a government or a governmental, semi-governmental or judicial entity or authority. It also includes a self-regulatory organisation established under statute or a stock exchange.

Heathgate means Heathgate Resources Pty Ltd ACN 011 018 232.

Independent Expert or **PPB** means PPB Corporate Finance Pty Ltd ACN 130 176 911.

Independent Expert's Report means the independent expert's report prepared by the Independent Expert as set out at Schedule 1.

Joint Venture means the unincorporated joint venture between ACE and Quasar formed under the Joint Venture Agreement.

Joint Venture Agreement means the joint venture agreement dated 30 August 2002 originally between Heathgate and ACE, as subsequently novated by Heathgate to Quasar with the consent of ACE and IMX Resources Limited (formerly Goldstream Mining NL), as amended.

Listing Rules means the listing rules of ASX.

Meeting means the general meeting of Shareholders to be held at **3.00pm** on **Friday, 11 September 2015**.

Mining Act means the *Mining Act 1971* (SA).

Notice mean this notice of Meeting.

Product means any uranium and any other minerals extracted or produced from or as a result of the operations of the Joint Venture, wherever located.

Quasar means Quasar Resources Pty Ltd ACN 101 227 070.

Record Date means 14 October 2015.

Registry means Computershare Investor Services Pty Limited ACN 078 279 277.

Resolution means a resolution proposed to be considered and, if thought fit, to be passed at the Meeting.

Sale means the sale by ACE to Quasar of all of ACE's interest in the Four Mile Uranium Project, including ACE's share of uranium oxide concentrates already mined, for a total consideration of \$73.975 million and on the terms set out in the Sale and Purchase Agreement.

Sale and Purchase Agreement means the Sale and Purchase agreement between Alliance, ACE and Quasar dated on or about 14 July 2015.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Subsidiary has the same meaning as in the Corporations Act.

Tenements means the following tenements held 25% by ACE and 75% by Quasar:

- (a) South Australian Mineral Lease 6402; and
- (b) South Australian Exploration Licence 5017.

In this Notice and the Explanatory Statement words importing the singular include the plural and vice versa.

5. Queries

If you have any queries about the meeting, the Resolutions to be put to the meeting or the proposals being considered, please contact:

Company Secretary
Mr Robert (Bob) Tolliday

Telephone: +61 3 9697 9090
Facsimile: +61 3 9697 9091
Email: info@allianceresources.com.au

Schedule 1

Independent Expert's Report

For personal use only

For personal use only

Alliance Resources Limited

Independent Expert's Report and Financial Services Guide

PART 1: FINANCIAL SERVICES GUIDE

PPB Corporate Finance Pty Ltd

PPB Corporate Finance Pty Ltd (ABN 13 130 176 911) ('PPB') is the licensed corporate finance business of PPB Advisory. PPB is a wholly owned subsidiary of PPB Pty Ltd, trading as PPB Advisory (ABN 67 972 164 718). PPB Advisory provides strategic and financial advisory services to a wide range of clients. PPB's contact details are as set out on our letterhead.

Engagement

PPB has been engaged by the Directors of Alliance Resources Limited ('Alliance' or 'the Company') to prepare this Independent Expert's Report ('IER' or 'Report'). The IER is to accompany the Notice of Meeting and Explanatory Statement that are to be provided by the Directors to the shareholders of Alliance ('Shareholders') to assist them in deciding whether to approve the divestment of Alliance's interest in the Four Mile Uranium Project ('Proposed Transaction') and return the excess cash as capital to shareholders ('Proposed Capital Return').

Financial Services Guide

This Financial Services Guide ('FSG') has been prepared in accordance with the Corporations Act, 2001. It provides important information to help retail investors make decisions regarding the general financial product advice included in the IER; the services we offer; information about PPB; the dispute resolution process and our remuneration.

PPB holds an Australian Financial Services Licence (No. 344626) ('Licence'). PPB is required to issue to you, as a retail client, a FSG in connection with our IER.

Financial services PPB is licensed to provide

The Licence authorises PPB to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients. You have not engaged PPB directly, but have received this IER because it accompanies the Explanatory Statement you have received from the Directors of Alliance. Our IER includes details of our engagement and identifies the party who has engaged us.

Our IER is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the IER.

General financial product advice

Our IER provides general financial product advice only, and does not provide any personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to voting on the Proposed Transaction, as described in the Explanatory Statement, may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Remuneration

PPB will receive a fee of approximately \$50,000 (plus GST and disbursements) based on commercial rates. PPB will not receive any fee contingent upon the outcome of the Proposed Transaction and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

All of our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PPB or PPB Advisory but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our IER was provided.

PPB does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that PPB is licensed to provide.

Independence

PPB is unaware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence under regulatory or professional requirements. In particular, PPB has had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and the Australian Securities and Investments Commission ('ASIC').

Complaints resolution

PPB is required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PPB Corporate Finance Pty Ltd, GPO Box 5151, Sydney NSW 2001.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ('FOS').

FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PPB is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited

GPO Box 3

Melbourne VIC 3001

Toll free: 1300 78 08 08

Email: info@fos.org.au

Web: www.fos.org.au

PART 2: INDEPENDENT EXPERT'S REPORT

6 August 2015

The Directors
Alliance Resources Limited
Suite 3
51-55 City Road
Southbank VIC 3006

Dear Directors

Independent Expert's Report and Financial Services Guide

1. Introduction

PPB Corporate Finance Pty Ltd ('PPB') has been engaged by the Directors of Alliance Resources Limited ('Alliance' or 'the Company') to prepare an Independent Expert's Report ('IER' or 'Report') in relation to the proposed divestment described below ('Proposed Transaction') and a return of capital ('Proposed Capital Return') to Alliance shareholders ('Shareholders').

2. The Proposed Transaction

Alliance proposes to divest its minority indirect interest in the Four Mile Uranium Project ('the Project') and with the majority of proceeds, return capital to its shareholders.

On 13 July 2015, Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd ('ACE'), received a revised offer from Quasar Resources Pty Ltd ('Quasar') to purchase all of ACE's interest (or Alliance's indirect interest) in the Project, including ACE's share of uranium oxide concentrates ('UOC') already mined (worth an estimated \$25 million¹), for a total consideration of \$73.975 million ('Consideration'). Quasar is the other joint venture party with the majority interest.

Alliance terminated Quasar's appointment as sales and marketing agent of Alliance's share of the Project product and instituted proceedings in the Supreme Court of South Australia seeking a declaration that the termination is valid and orders that Alliance's share of product be delivered to the Company ('Proceedings').

On 13 July 2015, ACE agreed to sell its interest in the Project to Quasar. In accordance with the terms of the sale agreement, ACE and Quasar have filed a stay of the Proceedings.

If Shareholders approve the Proposed Transaction, the Proceedings will be withdrawn. If Shareholders do not approve the Proposed Transaction either ACE or Quasar may apply for an order lifting the stay.

We have been informed by the Directors that the key terms of the Proposed Transaction include the following:

- the sale is for all of ACE's interest in the Project
- the sale is for a cash consideration of \$73.975 million
- the sale is subject to:
 - shareholder approval
 - the consent of the South Australian Minister responsible for the ad
 - ministration of the *Mining Act 1971 (SA)* (for the transfer of the Project tenements)

¹ Estimate at 31 March 2015 based on Alliance ASX announcement dated 2 July 2015. Estimate at 30 June 2015 is approximately \$27 million (USD\$35.56/lb, 1 AUD:0.768 USD)

- the Commonwealth Treasurer having no objection to the acquisition of ACE's interest in the Project by Quasar
- the stay of Proceedings in the Supreme Court.

A more detailed overview of the terms of the Proposed Transaction is contained in Section 1.1 of this Report.

3. Proposed Capital Return

The Directors propose to use approximately 65% of the proceeds from the Proposed Transaction for the Proposed Capital Return to return capital to the Shareholders, under Section 256B of the Corporations Act 2001 ('the Act').

4. Purpose of the Report

Quasar has contracted to pay ACE cash for ACE's interest in the Project. Accordingly, there is no requirement for an IER to be prepared by Alliance. The Proposed Transaction is however subject to Shareholder approval.

The Proposed Capital Return is also subject to Shareholder approval and, like the Proposed Transaction, there is also no requirement for an IER to be prepared.

Although an IER is not required to meet any legislative requirements, the Directors of Alliance have, nevertheless, engaged PPB to prepare an IER stating whether in our opinion:

- the Proposed Transaction is "fair" and "reasonable" to the Shareholders of Alliance under the requirements of ASX Listing Rule 11 ('LR 11')
- the Proposed Capital Return is "fair" and "reasonable" to the Shareholders of Alliance in accordance with Section 256B of the Act.

5. Conclusion

Based on our analysis, as set out in our attached report, PPB is of the opinion that:

- the Proposed Transaction is "fair" and "reasonable" to the Shareholders of Alliance
- the Proposed Capital Return is "fair" and "reasonable" to the Shareholders of Alliance.

Our opinion should be read in conjunction with the remainder of this letter and the attached detailed report.

6. Fairness

Proposed Transaction

We have assessed the fair market value:

- of Alliance's indirect interest in the Project (including its interest in UOC already mined), on a control basis, to be in the range of \$64.0 million to \$67.4 million
- of the Consideration, comprising cash, to be \$73.975 million.

A summary of our fairness assessment is set out in the following table:

	Report Reference	Low \$ million	High \$ million
Consideration	Section 1.1	73.975	73.975
Fair market value of Alliance's interest in the Project	Section 7.1	63.911	67.442
Fair / (unfair)		10.064	6.533

Source: PPB Analysis

The fair market value includes the estimated value of UOC already mined

As our assessed fair market value of Alliance's indirect interest in the Project is lower than the Consideration, we have determined that the Proposed Transaction is "fair" to the Shareholders of Alliance, as a whole, according to Australian Securities and Investment Commissions Regulatory Guide 111 *Content of experts reports* ('RG 111').

Proposed Capital Return

In forming our opinion on the fairness of the Proposed Capital Return, we compared the difference between our assessed fair market value per share of Alliance before and after the Proposed Capital Return to the amount of the Proposed Capital Return. We also compared the Proposed Capital Return to the current share price.

Before the Proposed Capital Return, our pro forma net asset value² per share is \$0.184. After the Proposed Capital Return the net asset value per share³ is \$0.064⁴. The difference is the Proposed Capital Return of \$0.12 paid to Alliance Shareholders⁵ (refer to Section 10 for further details). In our opinion, the net asset value represents fair market value.

The Proposed Capital Return of \$0.12 per share is higher than the closing share trading price of Alliance as at 30 June 2015 of \$0.085. Therefore Shareholders will be receiving more than the current share price if the Proposed Capital Return proceeds and they will retain ownership of their shares in Alliance.

Accordingly, we conclude that the Proposed Capital Return is fair to Alliance shareholders.

7. Reasonableness

Proposed Transaction

As the Proposed Transaction is fair to the Shareholders, the Proposed Transaction is also reasonable in accordance with RG 111. Nonetheless, we have summarised below some of the relevant factors associated with the Proposed Transaction.

We have been advised that before the Proposed Transaction, the Directors had conducted an extensive review of the Company's activities and an extended sale process in relation to Alliance's indirect interest in the Project. Accordingly, the Board believes that it has undertaken all it can do to maximise value for all Shareholders.

There are a number of potential advantages and disadvantages to Shareholders arising from the approval of the Proposed Transaction and these are summarised as below.

Advantages of the Proposed Transaction

Allows the Company to realise its key asset at fair market value

The Directors have conducted an extended sale process for Alliance's indirect interest in the Project and now have the opportunity to divest this interest to Quasar, the other joint venture party. The Directors believe that Quasar's offer maximises value for Shareholders.

Delivers an immediate return of capital to Shareholders

The Proposed Transaction will deliver a cash consideration to Alliance that is greater than the net book value and the fair market value of the Project. As a result, the Directors are proposing to return the majority of the proceeds to Shareholders by way of a capital return.

Remove the exposure to the proceedings and other litigation with Quasar

The Company will no longer be exposed to the uncertainty of legal proceedings and the legal costs that it has experienced and incurred in the recent past due to disagreements with Quasar.

²Based on book values

³Based on book values

⁴ Assumes no additional transaction costs for the Proposed Capital Return. On a fully diluted basis the pro forma net asset value per share is \$0.180 prior to the Proposed Capital Return and \$0.060 post the Proposed Capital Return.

⁵These values do not take into account the potential exercise of 59.6 million outstanding options.

Removes the requirement for ongoing funding of a developing mining project

The Company will no longer have the continual requirement to fund the Project, unless it elects not to contribute to funding, that has been onerous on the Company with its limited funding resources. Alliance previously has had to revert to the equity market to raise capital to meet its cash calls for the Project.

Disadvantages of the Proposed Transaction

The Company will lose its potential income earning asset

The Project is the Company's key potential income generating asset, with revenue expected to be generated in late 2015 calendar year. Alliance's other exploration assets are at a very early stage of development with no immediate expectation of income generation.

The Proposed Transaction may affect the Company's ability to remain listed on the ASX, as it may no longer meet the trading activity requirements

As a result of the Proposed Transaction, the size of the Company's asset base and operating activities will reduce significantly.

The Company will continue to incur various costs (including listing costs) and such costs may ultimately result in a further reduction in value to Shareholders

The Company's asset base will become non income generating while operating costs will continue, thereby contributing to the erosion of Shareholder value.

Reduces the Company's exposure to uranium

Shareholders that elected to invest in Alliance for exposure to uranium will need to seek exposure through other investments.

Other factors

If the Proposed Transaction does not proceed, the Company will retain its minority interest in the Project and may be required to make its contributions to development costs through cash calls. The Company has limited financial resources and may be required to source funding from the equity market in order to maintain its interest in the Project. If the Company was unable to secure such funding and / or elected to not participate, then ACE's interest in the Project will be diluted.

If the Proposed Transaction does not proceed, the Company will continue to be exposed to the Proceedings with Quasar and the consequential legal costs.

If the Proposed Transaction does not proceed the Proposed Capital Return will not proceed.

Reasonableness conclusion

Based on the qualitative factors summarised above, it is our opinion that the Proposed Transaction is reasonable to the Shareholders.

Proposed Capital Return

As the Proposed Capital Return is fair to the Shareholders, the Proposed Capital Return is also reasonable in accordance with RG 111. Nonetheless, we have summarised below some of the relevant factors associated with the Proposed Capital Return.

Advantages of the Proposed Capital Return

Opportunity for all Shareholders to receive a capital return in a once off transaction

The Directors of Alliance have advised that they propose to return capital, as a cash payment, to all Shareholders, that is in excess of the Company's current forecast operating requirements. The capital return per share exceeds the current share price and net book value of the Company's net assets.

No transaction costs

Shareholders participating in the Proposed Capital Return will be able to do so without incurring any costs.

Ability to pay creditors

The Directors of Alliance have advised that the Proposed Capital Return will not materially prejudice the Company's ability to pay its creditors. The Company will have sufficient cash resources to enable other exploration activities and pay its creditors after the Proposed Capital Return.

Disadvantages of the Proposed Capital Return

Impact on financial position

The Proposed Capital Return will be paid out of the Consideration received from the Proposed Transaction. The effect of the Proposed Capital Return is the Company's cash reserves will be reduced by the amount of capital (cash) returned (paid) to Shareholders (approximately \$48.1 million⁶).

Effect on capital structure

For the purposes of LR 7.20, the Company's share capital will reduce by \$0.12 per share, or approximately \$48.1 million⁷. At the date of this Report, the Company's share capital would be estimated to reduce from approximately \$73.8 million to \$25.7 million⁸.

No shares will be cancelled and the number of shares held by Shareholders will not change as a result of the Proposed Capital Return. All the Shares issued by the Company will be fully paid.

The record date has been set for after the expiry date of the options. Accordingly, should an option holder wish to participate in and receive the benefit of the Proposed Capital Return, the option holder must exercise their options by the expiry date of the options at the latest.

Effect on share price

The Company's Shares are expected to trade at a lower price after the Proposed Capital Return than the trading price immediately before the "ex" date for the Proposed Capital Return.

Other factors

Tax consequences

Alliance has sought independent tax advice. On the basis of the tax advice, there will be tax consequences for Australian resident and non-Australian resident Shareholders. Alliance is in the process of applying for a class ruling to confirm the tax treatment.

For Australian resident Shareholders, the receipt of the Proposed Capital Return may give rise to a Capital Gains Tax ('CGT') event for Shareholders. The income tax consequences arising on receipt of the Proposed Capital Return will depend on the Shareholder's cost base of their Shares.

For non-Australian resident Shareholders, the receipt of the Proposed Capital Return should not be subject to withholding tax. Refer to Section 2.8 of the Explanatory Statement for details of the tax consequences of the Proposed Capital Return.

Cash reserves

We have been advised by the Directors that the Company is using the majority of the funds from the Proposed Transaction to fund the Proposed Capital Return and it will retain sufficient cash reserves to meet its obligations. Refer to Section 2.7 of the Explanatory Statement for further details. The Company does not have any interest bearing debt or other financial facilities as at the date of this Report.

Share price of Alliance in the absence of the Proposed Capital Return

If the Proposed Capital Return is not approved, the share price of Alliance may not rise from the current trading price because there are currently no alternative plans for the use of the funds from the Consideration. The Company will continue to incur administrative expenses whilst seeking to find alternative strategic options.

⁶ Assumes approximately 400 million ordinary shares on issue. If all outstanding options are exercised, this could be approximately \$55 million

⁷ Ibid

⁸ On a fully diluted basis share capital is estimated to reduce from approximately \$82.8 million to \$27.5 million.

Reasonableness conclusion

Based on the qualitative factors identified above, in our opinion the Proposed Capital Return is reasonable to the Shareholders.

8. Other matters

PPB has prepared a Financial Services Guide in accordance with the Act. The Financial Services Guide is set out in Part 1 of this document. The decision of whether or not to accept the Proposed Transaction and the Proposed Capital Return are matters for each Shareholder to decide, based on their own views as to the value of Alliance and their own expectations about future market conditions, Alliance's future performance, risk profile and investment strategy.

If Shareholders are in doubt as to the action that they should take in relation to the Proposed Transaction and the Proposed Capital Return, they should seek their own professional advice.

This letter should be read in the context of our full report, that is attached.

Yours faithfully

PPB Corporate Finance Pty Ltd



Campbell Jaski
Director



Fiona Hansen
Authorised Representative

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All references to \$ in this report are Australian dollars unless stated otherwise

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1. Summary of Proposed Transaction and Proposed Capital Return

1.1. Proposed Transaction

Overview

On 23 February 2015, Alliance received an offer from Quasar to purchase all of ACE's interest in the Project, including ACE's share of uranium oxide concentrates already mined, for a consideration of \$57.6 million.

On 2 July 2015, Alliance received a further offer from Quasar to purchase all of ACE's interest in the Project, including ACE's share of uranium oxide concentrates already mined (worth an estimated \$25 million⁹), for a total consideration of \$71.3 million.

On 13 July 2015, Alliance received a revised offer from Quasar to purchase all of ACE's interest in the Project, including ACE's share of uranium oxide concentrates already mined, for a total consideration of \$73.975 million.

On 13 July 2015, Alliance agreed to sell ACE's interest in the Project to Quasar. In accordance with the terms of the sale agreement, ACE and Quasar have filed a stay of the Proceedings in the Supreme Court of South Australia.

If Shareholders approve the Proposed Transaction, the Proceedings will be withdrawn.

If Shareholders do not approve the Proposed Transaction either ACE or Quasar may apply for an order lifting the stay.

We have been informed by the Directors that the key terms of the Proposed Transaction include the following:

- the sale is for all of ACE's interest in the Project
- the sale is for a cash consideration of \$73.975 million
- the sale is subject to:
 - shareholder approval
 - the consent of the South Australian Minister for the administration of the *Mining Act 1971* (SA) (for the transfer of the Project tenements)
 - the Commonwealth Treasurer having no objection to the acquisition of Alliance's indirect interest in the Project by Quasar
 - the stay of Proceedings in the Supreme Court.

Refer to Section 1.7 and 1.8 of the Explanatory Statement for further details of the Proposed Transaction.

Impact of Proposed Transaction on Shareholders

Pro-Forma Financial Performance

Should the Proposed Transaction be approved by Shareholders, Alliance will be left with limited business operations and its material assets will consist of its existing exploration assets and cash, comprising existing cash and the Consideration.

Section 4.4 summarises the historical operating performance of the continuing operations of Alliance (ie excluding its interest in the Project). Operating costs are expected to reduce significantly primarily in relation to exploration expenditure for the Project, legal and accounting costs.

⁹ Estimate at 31 March 2015 based on Alliance ASX announcement dated 2 July 2015, estimate at 30 June 2015 is approximately \$27 million

Pro-Forma Balance Sheet

As the Consideration offered by Quasar is 100% cash, implementation of the Proposed Transaction will have no impact on existing Shareholders' voting and equity participation interests in Alliance.

Implementation of the Proposed Transaction will have a material impact on the composition and nature of the assets and liabilities of the Company. Set out below is the pro-forma balance sheet of Alliance as at 30 June 2015 assuming completion of the Proposed Transaction.

Table 1: Proforma balance sheet for the Proposed Transaction

\$000	Proforma 30-Jun-15	Impact of the Proposed Transaction	Proforma (after Proposed Transaction)
Current Assets			
Cash	927	73,475	74,402
Accounts Receivable	56	-	56
Other Current Assets	60	-	60
Non-Current Assets Classified as Held for Sale	24,783	(24,783)	-
Total Current Assets	25,825	48,692	74,517
Non-Current Assets			
Other Receivables	870	-	870
Available-for-Sale Financial Assets	271	-	271
Property, Plant and Equipment	7	-	7
Exploration and Evaluation	574	-	574
Total Non-Current Assets	1,723	-	1,723
Current Liabilities			
Accounts Payable	2,235	-	2,235
Employee Benefits	57	-	57
Provisions	30	-	30
Liabilities Directly Associated with Assets Classified as Held for Sale	840	(840)	-
Total Current Liabilities	3,163	(840)	2,322
Non-Current Liabilities			
Employee Benefits	90	-	90
Total Non-Current Liabilities	90	-	90
Net Assets	24,295	49,533	73,828

Source: PPB analysis and proforma accounts representing PPB estimates from ASX announcements, Alliance management

Based on independent tax advice, Alliance will be able to offset its accumulated losses against the gain on the sale. There should be no tax payable as a result of the Proposed Transaction.

The above balance sheet does not reflect the potential exercise of the approximately 59.6 million options, with an exercise price of \$0.15, outstanding at 30 June 2015 (refer to Section 4.7). Assuming that all of the outstanding options are exercised, the net assets of Alliance after the Proposed Transaction would increase by \$8.9 million, by virtue of the cash exercise price being received by the Company.

The above balance sheet excludes any other possible consequences of the Proposed Transaction.

The cash balance after the Proposed Transaction has been adjusted for costs associated with the Proposed Transaction such as legal fees, financial adviser fees and costs of holding the general meeting. These costs are expected to be approximately \$0.5 million.

Value of Alliance shares on completion of the Proposed Transaction

As mentioned above, should the Proposed Transaction proceed, the operating activities of Alliance will be significantly diminished and its material assets will consist of its existing exploration assets (refer to Section 4.3) and cash comprising existing cash and the Consideration. The cash consideration is higher than the book value of the Project, therefore the net asset value per share will increase.

As can be seen from the above pro-forma balance sheet, Alliance will have net assets after the completion of the Proposed Transaction of approximately \$73.8 million (\$0.184 per share) compared to \$24.3 million (\$0.061 per share) before the completion of the Proposed Transaction.

The trading price of Alliance's Shares after the completion of the Proposed Transaction is likely to reflect the market value of the net assets of the Company.

Regulatory Requirements

Shareholder approvals required

Implementing the Proposed Transaction is subject to Shareholder approval of Resolution 1 that will be considered at an extraordinary general meeting of Alliance Shareholder expected to be held on 11 September 2015.

Details of the Proposed Transaction and required approvals are set out in the Notice of Meeting and Explanatory Statement accompanying this Report.

ASX Listing Rules

LR 11 - Significant Transactions

LR 11.2 prohibits an entity disposing of its main undertaking without the approval of holders of ordinary securities.

As the Proposed Transaction would result in Alliance disposing of its significant asset and leaving interests in exploration projects and cash in the Company, shareholder approval is required under LR 11.2.

Alliance is not required to provide an IER to Shareholders given that the Proposed Transaction does not involve:

- a significant change in Alliance's shareholding greater than 20% of its voting shares; or
- a related party dealing under Chapter 2E of the Act which relates to the provision of a financial benefit to the related party; or
- a transaction with a substantial shareholder (that is a shareholder who owns more than 10% of the Company) or a related party under LR 10.1.

However, the Directors of Alliance are still required to satisfy their general duties under the Act and LR 11.2 to provide adequate information to Shareholders to allow them to decide how to vote on the Proposed Transaction. This requirement can be fulfilled by providing an IER.

Accordingly, the Directors of Alliance have requested PPB to provide an IER in relation to the Proposed Transaction to assist Shareholders in considering how to vote in relation to the Proposed Transaction.

Australian Securities and Investments Commission ('ASIC') Regulatory Guides

The nature of the Proposed Transaction is not specifically addressed by ASIC Regulatory Guide 111 *Content of expert's report* ('RG 111') and for this reason compliance with RG111 is not applicable. We have, however used RG111 as guidance in preparing the IER.

1.2. Proposed Capital Return

Overview

As a result of the Proposed Transaction, the Company will receive proceeds that will be in excess of its requirements for the operations of the business. The Directors have therefore decided to return a majority of the excess capital to Shareholders (\$0.12 per share totalling \$48.1m).

Impact of Proposed Capital Return on Shareholders

Pro-Forma Financial Performance

Should the Proposed Capital Return be approved by Shareholders, Alliance will be left with limited business operations and its material assets will consist of exploration assets and some cash. Section 4.4 sets out the historical operating performance of Alliance.

Pro-Forma Balance Sheet

Implementation of the Proposed Capital Return will have a material impact on the assets and liabilities of the Company. Set out below is the pro-forma balance sheet of Alliance as at 30 June 2015 assuming the completion of the Proposed Capital Return.

Table 2: Proforma balance sheet for the Proposed Capital Return

	Proforma 30-Jun-15	Proforma (after Proposed Transaction)	Assuming no options have been exercised Impact of Proposed Capital Return	Proforma (after Proposed Capital Return)
\$000				
Current Assets				
Cash	927	74,402	(48,098)	26,304
Accounts Receivable	56	56	-	56
Other Current Assets	60	60	-	60
Non-Current Assets Classified as Held for Sale	24,783	-	-	-
Total Current Assets	25,825	74,517	(48,098)	26,419
Non-Current Assets				
Other Receivables	870	870	-	870
Available-for-Sale Financial Assets	271	271	-	271
Property, Plant and Equipment	7	7	-	7
Exploration and Evaluation	574	574	-	574
Total Non-Current Assets	1,723	1,723	-	1,723
Current Liabilities				
Accounts Payable	2,235	2,235	-	2,235
Employee Benefits	57	57	-	57
Provisions	30	30	-	30
Liabilities Directly Associated with Assets Classified as Held for Sale	840	-	-	-
Total Current Liabilities	3,163	2,322	-	2,322
Non-Current Liabilities				
Employee Benefits	90	90	-	90
Total Non-Current Liabilities	90	90	-	90
Net Assets	24,295	73,828	(48,098)	25,730

Source: PPB analysis and proforma accounts representing PPB estimates from ASX announcements, Alliance management

The above balance sheet does not reflect the possible exercise of the 59.6 million options, with an exercise price of \$0.15, outstanding at 30 June 2015 as summarised in Section 4.7.

If all the options are exercised, the net assets of Alliance after the Proposed Transaction would increase by \$8.9 million (being the 59.6 million options times the exercise price of \$0.15), and the Proposed Capital Return would increase by \$7.1 million (being the 59.6 million options time the Proposed Capital Return of \$0.12 per share). Net assets of Alliance after the Proposed Capital Return would increase by \$1.8 million, being the difference between the Proposed Capital Return of \$7.1 million and the proceeds from the exercise of the options of \$8.9 million.

Value of Alliance shares on completion of the Proposed Capital Return

Should the Proposed Capital Return proceed, Alliance will be left a much smaller business and its material assets will consist of its exploration assets and some cash.

As can be seen from the above pro-forma balance sheet, Alliance will have net assets after the completion of the Proposed Capital Return of approximately \$25.7 million (\$0.064 per share) compared to \$73.8 million (\$0.184 per share) before the completion of the Proposed Capital Return.

It is likely that the share price after the Proposed Capital Return will reflect the reduced net assets of the Company.

Regulatory Requirements

Shareholder approvals required

Implementing the Proposed Capital Return is subject to Shareholder approval of Resolution 2 that will be considered at a General Meeting of Alliance Shareholder expected to be held on 11 September 2015.

Details of the Proposed Capital Return and related approvals required are set out in the Notice of Meeting and Explanatory Statement accompanying this Report.

Corporations Act

Companies are not limited by law to paying dividends from the profits of the company. However, the Proposed Capital Return constitutes an equal reduction of the Company's share capital for the purposes of Section 256B(2) of the Act. This is because it:

- relates only to ordinary shares
- it applies to each Shareholder in proportion to the number of Shares that the Shareholder holds
- the terms of the reduction are the same for each Shareholder.

A return of capital through a share capital reduction is allowed under Section 256B(1) if it:

- is fair and reasonable to the shareholders as a whole; and
- does not materially prejudice the company's ability to pay its creditors; and
- is approved by shareholders under Section 256C of the Act,

or otherwise in one of the other ways specifically allowed under the Act, such as through a share buy-back or redeeming preference shares.

ASIC Regulatory Guides

RG 110 sets out what ASIC expects a company to provide when disclosing information to shareholders with a notice of meeting for the purposes of a buyback offer.

RG 110.18 states:

If a company proposes to buy back a significant percentage of shares or the holdings of a major shareholder, it should consider providing:

- *a report by its independent directors about whether shareholders should vote in favour of the Capital Return, particularly regarding how much the company is paying for the shares; and*
- *an independent expert's report with a valuation of the shares.*

Further, RG 110.20 states:

- *It is usually appropriate for shareholders to have the benefit of independent advice on whether to vote for a Capital Return.*

Accordingly, the Directors of Alliance have appointed PPB to prepare an Independent Expert's Report stating whether in our opinion, the Proposed Capital Return is fair and reasonable to Shareholders.

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2. Purpose and scope of report

The Directors of Alliance have appointed PPB to prepare this Report to express an opinion as to whether the:

- Proposed Transaction is “fair” and “reasonable” to the Shareholders of Alliance under the requirements of LR 11
- Proposed Capital Return is “fair” and “reasonable” to the Shareholders of Alliance in accordance with Section 256B of the Act.

There is no legal requirement for the Directors to commission an IER for the Proposed Transaction or the Proposed Capital Return.

2.1 Purpose

This Report has been prepared at the request of, and for the benefit of, the Directors of Alliance and for the benefit of Shareholders, to assist the Directors in fulfilling their obligation to provide Shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transaction and Proposed Capital Return and to decide whether to agree to the resolutions set out in the Notice of Meeting to implement the Proposed Transaction (Resolution 1) and Proposed Capital Return (Resolution 2).

This Report is to accompany the Notice of Meeting and Explanatory Statement to be provided to the Shareholders of Alliance.

2.2 Scope

The scope of the procedures we undertook in forming our opinions was limited to those procedures we believe are required in order to form our opinion.

2.3 Definition of value

Fair market value

The assessment of whether the Proposed Transaction is “fair” and “reasonable” necessarily involves determining the “fair market value” of Alliance’s interest in the Project.

The assessment of whether the Proposed Capital Return is “fair” and “reasonable” necessarily involves determining the “fair market value” of the Shares of Alliance.

For the purposes of our opinion, the term “fair market value” is defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm’s length”.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. Therefore, there is no indisputable value and we normally express our valuation opinion as falling within a likely range.

Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair market value. This premium represents the value to the potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair market value as it relates to the individual circumstances of special purchasers.

2.4 Valuation Date

Our opinions expressed in this Report are as at 30 June 2015 (‘Valuation Date’).

2.5 Consent and other matters

This IER is to be read in conjunction with the Notice of Meeting and Explanatory Statement in which this Report is included, and is prepared for the exclusive purpose of assisting the Shareholders in their consideration of the Proposed Transaction and the Proposed Capital Return. This Report should not be used for any other purpose.

PPB consents to the issue of this Report in its form and context and consents to its inclusion in the Notice of Meeting and Explanatory Statement.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction and the Proposed Capital Return to Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction and the Proposed Capital Return on individual shareholders.

Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction and the Proposed Capital Return on individual shareholders.

The decision of whether or not to approve the Proposed Transaction and the Proposed Capital Return is a matter for each Shareholder based on their own views as to the value of Alliance and their expectations about future market conditions, Alliance's performance, risk profile and investment strategy.

If Shareholders are in doubt as to the action they should take in relation to the Proposed Capital Return, they should seek their own professional advice

Refer to Section 11 for limitations and disclosures regarding the basis of preparation and use of this report.

2.6 Sources of information

In preparing this Report, we have relied on information as summarised in Appendix B.

All documents relied on in support of our opinion are either referred to in the body of this Report, identified by way of footnote, or are referred to in the appendices to this Report.

3. Basis of assessment

3.1 Fair and reasonable

The Act does not define the meaning of fair and reasonable. In preparing this Report we considered the Regulatory Guides issued by ASIC and in particular, RG 111 and RG110.

RG 111 provides guidance in the preparation of Independent Expert's Reports including where the expert is required to provide an opinion on whether a transaction is "fair" and "reasonable". RG110 applies to share buy backs.

RG 111 states that, in the context of a "control transaction", the words "fair" and "reasonable" establish two distinct criteria:

- is the offer "fair"; and
- is it "reasonable".

RG 111 states that:

- an offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming a knowledgeable and willing, but not anxious buyer and a knowledgeable and willing, but not anxious seller, acting at arm's length, on the basis of 100% ownership of the "target" company irrespective of whether the consideration offered is scrip or cash and without consideration of the percentage holding of the offer or its associates in the "target" company; and
- an offer is considered to be "reasonable" if it is "fair". If the offer is "not fair" it may still be "reasonable", if the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher offer.

ASIC suggests the factors that an expert should consider when determining whether an offer is "reasonable", include the following:

- the offeror's existing voting power in securities of the target
- other significant security holding blocks in the target
- the liquidity of the market in the target's securities
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target (if relevant)
- any special value of the target to the offeror, such as particular technology or the potential to write off outstanding loans from the target
- the value of the target to an alternative offeror and the likelihood of an alternative offer being made.

RG 111 paragraph 15 states that the value of the securities that are the offer should be determined ignoring that the target may be in financial distress.

3.2 PPB's selected approach

Proposed Transaction

Fairness

The Proposed Transaction will be fair to the Shareholders of Alliance if the fair market value of the Consideration being received from Quasar is equal to or greater than the fair market value of Alliance's interest in the Project.

In view of the above, for the purpose of the Proposed Transaction, PPB has compared:

- the assessed fair market value of Alliance's interest in the Project on a controlling interest basis
- the assessed fair market value of the consideration being offered by Quasar. The Consideration comprises an upfront cash payment of \$73.975 million.

If the assessed fair market value of the Consideration exceeds the assessed fair market value of Alliance's indirect interest in the Project, the Proposed Transaction will be regarded as "fair" to the Shareholders as a whole. Conversely, if the assessed fair market value of the consideration is less than the assessed fair market value of Alliance's interest in the Project, then the Proposed Transaction will be regarded as "not fair" to the Shareholders as a whole.

Reasonableness

Under RG 111, the Proposed Transaction will be "reasonable" if it is "fair". It may also be "reasonable" if, despite being "not fair", there are sufficient reasons for Shareholders to approve the Proposed Transaction in the absence of any better opportunities at the time of voting.

Having regard to the factors listed by ASIC in RG 111.12, we considered factors in assessing the reasonableness of the Proposed Transaction, such as:

- the likely prospective future operations of Alliance subsequent to completion of the Proposed Transaction
- taxation losses, cash flow or other benefits of the Proposed Transaction
- the value of Alliance's indirect interest in the Project compared to an alternative offeror and likelihood of an alternative offer being made
- the considerable uncertainty currently being experienced by ACE as a minority interest in the Project and the impact of ongoing litigation
- Alliance's position on the basis that the Proposed Transaction is approved compared to that if it is not approved.

Proposed Capital Return

Whilst the Act does not provide a definition as to the meaning of fair and reasonable, RG 111 provides some guidelines as to what independent experts should consider and how "fair and reasonable" should be interpreted for a range of transactions.

In forming our opinion as to whether the Proposed Capital Return is fair and reasonable to the Shareholders, PPB has had regard to factors such as:

- the reasons for the Proposed Capital Return
- the overall terms of the Proposed Capital Return
- alternative options available to the Company
- the trading history of Alliance shares on the ASX
- the potential impact of the Proposed Capital Return upon Alliance's cash and financial position
- net tangible assets per share and share structure of Alliance
- the likely implications for the Company if the Proposed Capital Return is not implemented
- the advantages and disadvantages of the Proposed Capital Return.

In arriving at our opinion, we considered the fair market value of the Shares before and after the Proposed Capital Return compared with the amount of the Proposed Capital Return.

As a cross check, we considered the Company's quoted share price compared to the fair market value of the shares derived using the net assets approach and the Proposed Capital Return per share.

4. Profile of Alliance and the Project

4.1 Overview of Alliance

Alliance is an ASX listed resource company which has been focused on the development of, and production from, its indirect Joint Venture ('JV') interest in the Project and in realising value from its other exploration interests.

In addition to the Project, Alliance holds interests in uranium, copper, gold and silver projects, including:

- 100% interest in Alliance (Chile) Pty Ltd ('Alliance Chile'), which has exploration projects in Chile including the Monardes Copper-Uranium Project located in the eastern margin of the Monardes basin, 95 km east of Copiapo in northern Chile and the Sierra Cinchado Copper-Silver project located 25 km east of Copiapo.
- 22,000,000 ordinary shares in Octagonal Resources Limited ('Octagonal') which equates to approximately 8.9% of Octagonal's issued share capital. Octagonal is an exploration company with projects in the Eastern Goldfields of the Yilgarn Craton, Western Australia.

4.2 Overview of the Project

Background

The Project is one of the most significant uranium discoveries made in Australia in the past 25 years. It is one of three operating uranium mines in Australia. The deposit was first discovered in 2005.

A Mining Lease Application was submitted in May 2008. Alliance's 100% owned subsidiary, ACE, is the registered holder of 25% of ML6402 and EL5017. Quasar is the registered holder of 75% and acts as the manager of the Project. An overview of Quasar is contained in Appendix C. Alliance is not contributing to the current program and budget for the Project and, as a consequence, is diluting its interest in the Mine Development Area¹⁰. ACE estimates its interest in the Mine Development Area as at 30 June 2015 to be approximately 19.52%.

The Four Mile deposit is a sandstone-hosted occurrence defined by three mineralised zones within Tertiary age sediments: Four Mile West, Four Mile East and Four Mile Northeast, which occur within laterally extensive sands from 140 metres to 280 metres depth.

Heathgate Resources Pty Ltd ('Heathgate') entered into an agreement with Alliance to farm-in to the EL2874 (then called Arkaroola) in 2002 and shortly afterwards assigned its rights and obligations to its affiliate Quasar. Quasar discovered the Four Mile uranium deposits in April 2005 and continued to sole fund exploration on the Project until a decision to mine was made by Quasar on 22 October 2008. Since that date the participants contribute to mining expenditure in proportion to equity. Alliance remains free carried in relation to activities outside the Mine Development Area.

A Public Environment Report was lodged with PIRSA in January 2009. The Australian Government approved the Four Mile Uranium Mine on the 13 July 2009.

Mining is by the in-situ recovery ('ISR') method whereby a weak acid solution is injected into the host formation that dissolves the uranium minerals. The pregnant solution is then pumped to the surface for extraction and treatment.

The mine was officially opened by the South Australian Premier Jay Weatherill and Treasurer Tom Koutsantonis on 28 June 2014.

¹⁰ Reducing to approximately 15% by 31 December 2015. Refer ASX announcement dated 20 November 2014.

Production

On 31 January 2014 Alliance announced that Quasar, with Alliance dissenting, had approved the Four Mile (ML6402) Revised Start-Up Plan and Program and Budget ('SUPB') on 29 January 2014. The SUPB included production guidance relating to 2014 and 2015 based on a series of assumptions more fully set out in those documents. ACE elected to vote against the SUPB because it considered the parties should construct an appropriately sized stand-alone plant at Four Mile in order to reduce operating costs. It also considered some of the costs included in the SUPB to be exploration, rather than mining, costs for which Quasar should be solely responsible.

On 14 April 2014, final commissioning and start-up of ISR mining operations at Four Mile East wellfields FME001 and FME002 commenced with uranium capture at Heathgate's Pannikan satellite plant and precipitation, drying and packing at Heathgate's Beverley processing plant¹¹.

Total production (100%) of UOC since commencement of mining to 30 June 2015 is 2,441,092 lbs of UOC at an estimated cash operating cost of \$30.27 per pound produced (excluding some shipping costs, marketing costs and royalties as no sales have occurred).

Total production since commencement is approximately 91% of budget over the same period.

Alliance estimates its share of UOC production from the Project as follows:

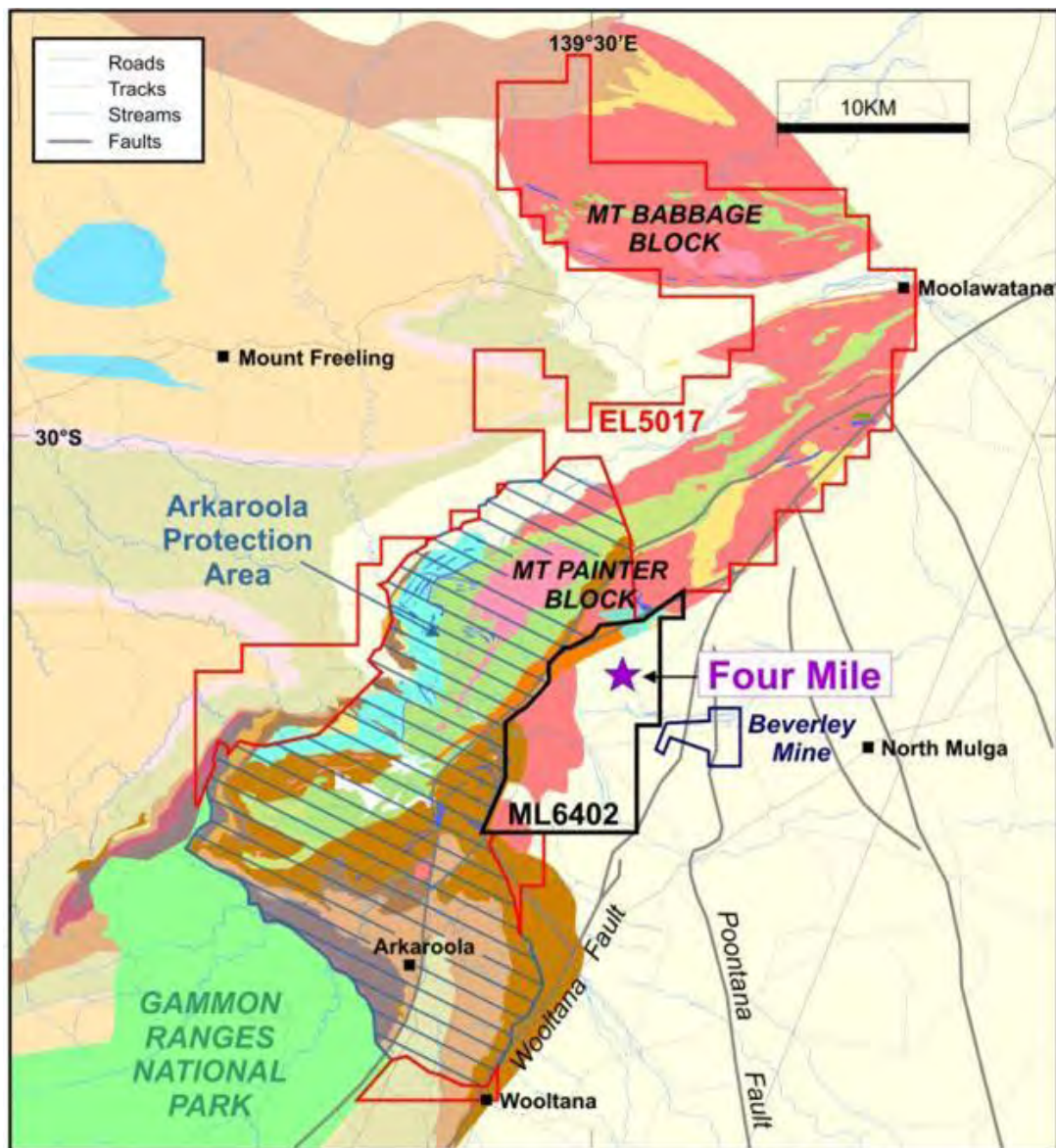
- from commencement to 30 November 2014, 377,504 lbs (25% of production), and
- from 1 December 2014 to 31 March 2015, 113,477 lbs (22.96% of production)
- from 1 April 2015 to 30 June 2015, 88,168 lbs (20.18% of production)

being a total of 579,149 lbs with an estimated value of approximately \$27 million (assuming a uranium price of US\$35.56/lb and 1 AUD = 0.768 USD), excluding royalties, convertor fees (if any), transportation costs and tax.

¹¹ Pursuant to the Four Mile (ML6402) Revised Start-Up Plan and Program and Budget that Quasar, with Alliance dissenting, approved on 29 January 2014.

Figure 1 shows the Mining Lease and surrounding tenements.

Figure 1: The Project's Mining Lease and surrounding tenements



Source: Alliance

Four Mile East and Four Mile West Mineral Resources

The mineral resource estimate for the Four Mile Uranium Project at 30 June 2015 is summarised in the table below.

Table 3: Mineral resource estimate at 30 June 2015

Deposit	GT Cut-off %	Ore Mass tonnes m	U ₃ O ₈ %	U ₃ O ₈ Tonnes '000	U ₃ O ₈ Mlb	JORC Classification
Four Mile West	0.1	4.1	0.34	14.0	32	Indicated
Four Mile West	0.1	1.5	0.31	4.7	9	Inferred
Four Mile West	0.1	5.7	0.34	19.0	42	
Four Mile East	0.1	4.1	0.31	13.0	29	Inferred
Sub-Total	0.1	9.8	0.33	32.0	71	
Mined (Four Mile East)	0.1	0.1	0.26	0.3	1	Inferred
Sub-Total	0.1	9.7	0.33	32.0	70	
Four Mile Northeast	0.1	7.5	0.30	23.0	50	Inferred
Total	0.1	17.2	0.33	55.0	120	

**may not add due to rounding*

Source: 2014 annual report, ASX announcement 20 June 2015

Four Mile Northeast Mineral Resource ('FMNE')

In June 2015, Alliance announced, at a cut-off of 0.1% U₃O₈, an Inferred Mineral Resource for FMNE uranium prospect of 7.5 million tonnes averaging 0.30% U₃O₈, containing 50 million pounds U₃O₈. Refer to the announcement dated 26 June 2015 for details of the Mineral Resource estimate and competent person's consent.

Legal Proceedings

On 12 November 2014, Alliance terminated Quasar's appointment as sales and marketing agent of Alliance's share of the Project product and instituted the Proceedings in the Supreme Court of South Australia seeking a declaration that the termination is valid and orders that Alliance's share of product be delivered to the Company.

The Proceedings were heard on 20 May 2015 to 28 May 2015. The presiding judge, His Honour Justice Stanley, has reserved his decision.

In accordance with the terms of the sale agreement, Alliance and Quasar have filed a stay of the Proceedings in the Supreme Court of South Australia.

Contributions to Development

To date, Alliance has funded Project cash calls by capital raisings. In the event that Alliance elects not to contribute to an approved program and budget, its equity interest is diluted, accordingly.

Since November 2014, Alliance has not contributed to the 2015 Program and Budget and, therefore, its equity interest has decreased from 25% to approximately 19.5% as at 30 June 2015. Assuming that Alliance did not contribute to any future programs, and budgets and expenditure remained at current levels, Alliance estimates it will be deemed to have effectively withdrawn from the JV by July 2025 with less than 3% interest in the JV.

Alliance's cash contributions and equity interest in the Project is summarised in Table 4.

Table 4: Alliance's cash contributions and equity interest in the Project

Cash calls paid by Alliance up to 30 June 2015	\$31.3 million
Expected average monthly cash requirements for 100% of the Project between 1 July 2015 and 30 June 2025	\$9.8 million
Alliance initial interest in the Project	25.0%
Alliance estimated interest at 30 June 2015	19.5%
Alliance estimated interest at July 2025	3.0%

Source: Alliance management

4.3 Overview of other exploration assets

Based on discussions with Alliance management, non-current assets for Exploration, Evaluation and Development are estimated to be \$574k at 30 June 2015, summarised as follows:

Table 5: Exploration, Evaluation and Development assets at 30 June 2015

	\$'000
AGS Chile - Monardes	433
AGS Chile - General	22
AGS Chile - Vega Uno/Dos	1
AGS Chile - Sierra Cinchado	119
Total	574

Source: Alliance management

Monardes

Alliance's 100% owned Monardes Project concessions are located in the eastern margin of the Monardes basin, 95 km east of Copiapo.

On 30 January 2015, Alliance reported the results of additional rock chip sampling results at Monardes.

During the year ended 30 June 2015, Alliance completed a detailed airborne magnetic and radiometric survey, together with results of rock chip sampling which reported significant copper and uranium.

The results confirm a previously unrecognised or underexplored exploration target requiring systematic follow-up.

Sierra Cinchado

The Sierra Cinchado project area is located approximately 25 km east of Copiapo. The project area has a number of mine workings which appear to be prospective for Manto style copper and silver.

Based on Alliance's interim report at 31 December 2014 interpretation of an induced polarisation survey completed during the reporting period downgraded the potential of this area.

During the year ended 30 June 2015, Alliance surrendered all 17 concessions at Sierra del Potrillos and 8 out of 10 concessions at Sierra Cinchado (2 concessions retained).

4.4 Financial information – Alliance

Financial performance of Alliance

The audited consolidated income statement of Alliance for the year ended 30 June 2012 ('FY12'), 30 June 2013 ('FY13'), 30 June 2014 ('FY14') and the reviewed consolidated income statement for the six months ended 31 December 2014 ('1HFY15') are set out in the table below:

Table 6: Alliance's financial performance

\$000	Audited 30-Jun-12	Audited 30-Jun-13	Audited 30-Jun-14	Reviewed 31-Dec-14
Revenue	1,655	1,193	807	192
Revaluation of AFS Assets	-	-	310	(1,144)
Overheads	(2,458)	(4,578)	(4,752)	(498)
Legal Fees	(1,647)	(2,219)	(7,732)	91
Director Fees	(376)	(252)	(303)	(168)
Share of JV Loss	(951)	(890)	(4,144)	-
Impairment	(10)	(530)	(848)	-
EBITDA	(3,787)	(7,276)	(16,662)	(1,528)
Depreciation	(21)	(12)	(7)	(2)
EBIT	(3,808)	(7,288)	(16,668)	(1,529)
Interest	-	-	-	-
NPBT	(3,808)	(7,288)	(16,668)	(1,529)
Taxation	-	-	-	-
NPAT	(3,808)	(7,288)	(16,668)	(1,529)

Source: Statutory financial statements and the reviewed interim financial statements for 1HFY15

We note the following with regard to the consolidated statement of comprehensive income of Alliance:

- share of JV loss was nil from 1 July 2014 onward as Alliance reclassified its interest in the Project to Non-Current Assets Classified as Held for Sale on 30 June 2014
- impairment of \$530k in FY13 largely related to impairment in Alliance's investment in Octagonal
- impairment of \$848k in FY14 related to impairment in the value of Available For Sale ('AFS') financial assets largely related to impairment in Alliance's investment in Octagonal.

Financial position of Alliance

The consolidated balance sheet of Alliance as at 30 June 2012, 30 June 2013, 30 June 2014, 31 December 2014 and 30 June 2015 are set out in the table below:

Table 7: Alliance's financial position

\$000	Audited 30-Jun-12	Audited 30-Jun-13	Audited 30-Jun-14	Reviewed 31-Dec-14	Proforma 30-Jun-15
Current Assets					
Cash	31,091	25,359	16,673	217	927
Accounts Receivable	106	160	69	56	56
Other Current Assets	48	48	124	60	60
Non-Current Assets Classified as Held for Sale	-	-	12,823	25,143	24,783
Total Current Assets	31,246	25,567	29,688	25,476	25,825
Non-Current Assets					
Other Receivables	50	50	866	870	870
Available-for-Sale Financial Assets	7	6	1,416	272	271
Property, Plant and Equipment	27	14	8	7	7
Exploration and Evaluation	3,074	2,137	2,031	484	574
Total Non-Current Assets	17,592	17,106	4,320	1,633	1,723
Current Liabilities					
Accounts Payable	518	806	7,328	2,235	2,235
Employee Benefits	69	74	70	57	57
Provisions	60	866	50	30	30
Liabilities Directly Associated with Assets Classified as Held for Sale	-	-	816	840	840
Total Current Liabilities	647	1,746	9,738	4,441	3,163
Non-Current Liabilities					
Employee Benefits	49	74	85	90	90
Total Non-Current Liabilities	49	74	85	90	90
Net Assets	48,141	40,853	24,185	22,578	24,295
Number of issued shares (000)	341,172	341,172	341,172	341,172	400,816
Net asset value per share (\$)	\$0.141	\$0.120	\$0.071	\$0.066	\$0.061

Source: Statutory financial statements, the reviewed interim financial statements for 1H FY15 and proforma accounts representing PPB estimates from ASX announcements, Alliance management, PPB analysis

We note the following in regards to the consolidated balance sheet of Alliance:

- significant cash outflows in the first half of FY15 included:
 - \$4.6 million in costs for the settlement of the Trade Practices Act litigation, announced by Alliance on 18 July 2014.
 - \$0.65 million in costs were awarded to Quasar and Heathgate in the Court proceedings concerning access to books and records relating to the Project and paid in January 2015.
 - \$11.4 million in payments made by Alliance towards the cost of development of the Project. Alliance disputes the validity of the cash calls made by Quasar and, in making each payment, reserved all of its rights. The payments have been made to preserve Alliance's participatory rights in the Project.

- Non-Current Assets Classified as Held for Sale of \$24.8 million represents the investment in the Project, at cost, after impairment. The gross book value of Alliance's interest in the Project at 30 June 2015 includes the development costs associated with the Project that have been expensed as summarised below:

Table 8: Gross book value of the Project at 30 June 2015

	\$000
Net book value of the Project	24,783
Add share of net loss attributable to the Project	8,537
Gross book value of the Project	33,320

Source: Alliance management

- at 30 June 2014 the AFS were reclassified as follows:
 - \$1.4 million to AFS Assets for the investment in Octagonal
 - \$12.8 million to Non-Current Assets Classified as Held for Sale for the interest in the JV for the Project.
- ACE's share of UOC already mined is estimated to be \$25 million¹².

4.5 Directors and key management

Table 9 summarises the Directors of Alliance, as at the date of this Report.

Table 9: Alliance's directors and key management

Director/management	Position
John S F Dunlop	Chairman & Director
Steve F Johnston	Managing Director
Ian J Gandel	Non-Executive Director
Tony D Lethlean	Non-Executive Director
Bob Tolliday	CFO & Company Secretary

Source: 2014 Annual Report

4.6 Corporate structure

Table 10 summarises the subsidiaries of Alliance (the Project as highlighted is the asset that is the subject of the Proposed Transaction) as at the date of this Report.

Table 10: Alliance's corporate structure

Subsidiary	Ownership %
Alliance (NSW) Pty Ltd	100
Alliance (SA) Pty Ltd	100
Alliance Craton Explorer Pty Ltd ('ACE')	100
Alliance (Chile) Pty Ltd	100

Source: 2014 Annual Report

ACE is the 100% subsidiary of Alliance that holds the interest in the Project.

¹² Estimate at 31 March 2015 based on Alliance ASX announcement dated 2 July 2015. Estimate as 30 June 2015 is approximately \$27 million

4.7 Capital structure

Table 11 summarises the securities on issue from Alliance as at the date of this Report.

Table 11: Alliance's capital structure

Type	# '000
Fully paid listed ordinary shares	400,816
Unlisted options	59,644

Source: Capital IQ, 2015 Interim Report

Further details are provided in the section below on the shares and options on issue.

Alliance ordinary shares

The top ten shareholders of Alliance as at 30 June 2015 are summarised in Table 12.

Table 12: Top 10 shareholders at 30 June 2015

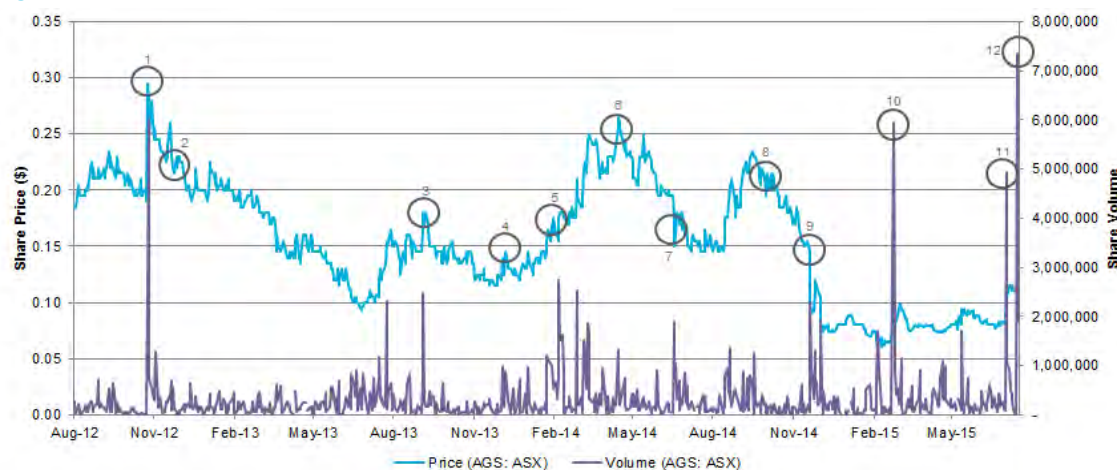
Shareholder	Total shares held # '000	% of total issued shares
1 Abbotsleigh Pty Ltd	103,852	25.9%
2 HSBC Custody Nominees (Australia) Limited	9,567	2.4%
3 Home Ideas Show Pty Ltd	8,781	2.2%
4 NEFCO Nominees Pty Ltd	7,752	1.9%
5 Invia Custodian Pty Limited	6,070	1.5%
6 J P Morgan Nominees Australia Limited	5,843	1.5%
7 Holbrook Corporation Pty Ltd	5,611	1.4%
8 HSBC Custody Nominees (Australia) Limited	4,820	1.2%
9 UBS Wealth Management Australia Nominees Pty Ltd	4,814	1.2%
10 Mr Jason Miles Bartlett	3,620	0.9%
Total top 10 shareholders	160,731	40.1%
Others	240,086	59.9%
Total shares outstanding	400,816	100.0%

Source: Alliance management

Aside from Abbotsleigh, the free float is approximately 74%.

The daily movements in Alliance's share price and volumes for the period from August 2012 to 17 July 2015 are set out in Figure 2 below. A description of the corresponding events are summarised in Table 13 below.

Figure 2: Alliance's historical share performance



Source: Capital IQ

Table 13: Key events related to historical share performance

Note	Date	Event
1	24 October 2012	Alliance announced decision to recommence development of the Four Mile Project
2	22 November 2012	Resignation and new appointment of Manager Finance and Company Secretary
3	4 September 2013	Alliance respond to article about legal matters on foot which was incorrect
4	6 December 2013	Alliance announced the discovery of high grade equivalent uranium intersections in the Four Mile Project
5	31 January 2014	Revised start-up plan approved for the Four Mile Project
6	14 April 2014	Alliance announced that as of 11 April 2014 all required approvals to begin mining in the first stage mining area of Four Mile East have been received
7	17 June 2014	Alliance appointed Deloitte Corporate Finance to lead sale process for 25% interest in the Four Mile Project
8	6 October 2014	Alliance announced the first shipment of product from the Four Mile Project
9	18 November 2014	Alliance resolved to suspend the sale process for 25% interest in the Four Mile Project until proceedings in the Supreme Court of South Australia have been finalised
10	23 February 2015	Alliance advised they rejected an offer from Quasar to purchase all of ACE's interest in the Four Mile Project, including ACE's share of uranium oxide concentrates already mined, for a consideration of \$57.6 million.
11	2 July 2015	Alliance advised they have received a further offer from Quasar for a total consideration of \$71.3 million.
12	14 July 2015	ACE agreed to sell its interest in the Four Mile Project to Quasar. Alliance advised the conditions of the sale require ACE and Quasar to file a stay of the current proceedings in the Supreme Court of Australia.

Source: ASX announcements, Alliance Resources website

Set out in Table 14 below is the monthly share price performance of Alliance from 31 July 2014 to 17 July 2015 and set out in Table 15 below is the weekly share performance of Alliance from 2 March 2015 to 17 July 2015.

Table 14: Monthly share price performance since July 2014

Month ending	High (\$)	Low (\$)	Close (\$)
31-Jul-14	0.175	0.145	0.150
29-Aug-14	0.220	0.145	0.200
30-Sep-14	0.255	0.185	0.210
31-Oct-14	0.220	0.165	0.175
28-Nov-14	0.185	0.090	0.115
31-Dec-14	0.115	0.072	0.084
30-Jan-15	0.090	0.066	0.075
27-Feb-15	0.150	0.058	0.088
31-Mar-15	0.099	0.075	0.080
30-Apr-15	0.083	0.072	0.083
29-May-15	0.105	0.076	0.088
30-Jun-15	0.088	0.077	0.085
17-Jul-15	0.140	0.081	0.115

Source: Capital IQ

Highlights denote dates on which announcements of the Proposed Transaction were made by Alliance

Table 15: Weekly share price performance since March 2015

Week ending	High (\$)	Low (\$)	Close (\$)
Fri 6-Mar-15	0.099	0.085	0.093
Fri 13-Mar-15	0.092	0.075	0.078
Fri 20-Mar-15	0.083	0.075	0.082
Fri 27-Mar-15	0.084	0.078	0.082
Thu 2-Apr-15	0.080	0.078	0.079
Fri 10-Apr-15	0.080	0.076	0.077
Fri 17-Apr-15	0.078	0.073	0.074
Fri 24-Apr-15	0.079	0.072	0.078
Fri 1-May-15	0.083	0.077	0.083
Fri 8-May-15	0.087	0.076	0.087
Fri 15-May-15	0.105	0.080	0.093
Fri 22-May-15	0.096	0.085	0.092
Fri 29-May-15	0.093	0.084	0.088
Fri 5-Jun-15	0.088	0.082	0.083
Fri 12-Jun-15	0.085	0.077	0.080
Fri 19-Jun-15	0.083	0.077	0.083
Fri 26-Jun-15	0.085	0.077	0.083
Fri 3-Jul-15	0.140	0.081	0.115
Fri 10-Jul-15	0.115	0.105	0.115
Fri 17-Jul-15	0.125	0.105	0.115

Source: Capital IQ

We note the following with regard to the share price performance:

- the shares have traded in the range of \$0.058 to \$0.255 since 31 July 2014
- the share price has generally traded at around \$0.08
- the share price does not appear to have reacted to the announcements of the Proposed Transaction that were made by the Company on 23 February 2015, 13 July 2015 and 14 July 2015 (highlighted in Table 14 above).

Table 16 summarises the monthly trading volume of Alliance since August 2012.

Table 16: Monthly share trading volume since August 2012

From	To	Volume traded '000	Average VWAP \$	Total value of shares traded \$'000	Average shares outstanding m	Average % of total shares outstanding	Average bid/ask spread %
1-Aug-12	31-Aug-12	4,058.42	0.21	834.36	341.17	10.63%	3.54%
1-Sep-12	30-Sep-12	3,007.65	0.22	651.18	341.17	9.54%	3.72%
1-Oct-12	31-Oct-12	11,392.43	0.22	2,488.15	341.17	31.71%	3.40%
1-Nov-12	30-Nov-12	5,741.54	0.23	1,338.08	341.17	17.83%	2.60%
1-Dec-12	31-Dec-12	3,549.89	0.20	725.88	341.17	11.20%	3.88%
1-Jan-13	31-Jan-13	3,988.53	0.21	820.84	341.17	11.46%	3.62%
1-Feb-13	28-Feb-13	2,780.41	0.19	532.52	341.17	7.81%	4.33%
1-Mar-13	31-Mar-13	3,751.43	0.17	629.57	341.17	9.23%	3.65%
1-Apr-13	30-Apr-13	2,866.77	0.15	425.42	341.17	6.24%	5.23%
1-May-13	31-May-13	5,517.07	0.14	754.14	341.17	9.62%	4.95%
1-Jun-13	30-Jun-13	6,950.00	0.11	750.63	341.17	11.59%	6.05%
1-Jul-13	31-Jul-13	9,970.70	0.12	1,220.67	341.17	15.56%	7.28%
1-Aug-13	31-Aug-13	4,174.03	0.15	617.78	341.17	8.23%	4.84%
1-Sep-13	30-Sep-13	7,218.89	0.15	1,110.33	341.17	15.50%	5.44%
1-Oct-13	31-Oct-13	1,960.80	0.14	277.40	341.17	3.54%	4.19%
1-Nov-13	30-Nov-13	2,736.07	0.12	334.04	341.17	4.66%	5.09%
1-Dec-13	31-Dec-13	5,611.54	0.13	731.27	341.17	10.72%	4.83%

1-Jan-14	31-Jan-14	8,097.62	0.15	1,191.42	341.17	16.63%	4.45%
1-Feb-14	28-Feb-14	12,767.51	0.18	2,275.00	341.17	33.34%	3.47%
1-Mar-14	31-Mar-14	12,198.10	0.22	2,727.55	341.17	38.07%	4.39%
1-Apr-14	30-Apr-14	5,868.37	0.24	1,385.31	341.17	21.37%	3.07%
1-May-14	31-May-14	5,032.57	0.22	1,123.61	341.17	14.97%	3.01%
1-Jun-14	30-Jun-14	7,513.91	0.18	1,373.43	341.17	20.13%	3.83%
1-Jul-14	31-Jul-14	4,121.73	0.15	635.81	341.17	8.10%	4.27%
1-Aug-14	31-Aug-14	7,571.67	0.17	1,312.55	341.17	18.32%	4.58%
1-Sep-14	30-Sep-14	7,399.03	0.22	1,600.34	341.17	21.32%	4.82%
1-Oct-14	31-Oct-14	2,265.02	0.19	437.35	341.17	5.57%	4.62%
1-Nov-14	30-Nov-14	8,244.26	0.14	1,169.14	341.17	17.13%	5.46%
1-Dec-14	31-Dec-14	5,718.08	0.08	452.98	341.17	6.32%	5.14%
1-Jan-15	31-Jan-15	3,189.42	0.08	254.45	347.46	3.66%	5.44%
1-Feb-15	28-Feb-15	13,521.22	0.07	979.57	373.21	13.12%	4.43%
1-Mar-15	31-Mar-15	5,830.03	0.08	488.34	399.56	5.56%	3.62%
1-Apr-15	30-Apr-15	7,491.46	0.08	575.55	400.82	7.18%	2.68%
1-May-15	31-May-15	5,296.51	0.09	463.46	400.82	5.51%	4.28%
1-Jun-15	30-Jun-15	5,241.79	0.08	427.98	400.82	5.08%	3.09%
1-Jul-15	17-Jul-15	21,320.52	0.11	2,352.13	400.82	45.14%	4.28%

Source: Capital IQ

We note the following with regard to the trading volumes:

- since August 2012, there have been seventeen days of nil trading volume
- in the last 24 months there have been eleven days of nil trading volume
- given the free float shares the volumes traded are low
- the average monthly bid-ask spread % has ranged from 2.6% to 7.3% with an average of 4.3% for the period observed
- in February 2014 and March 2014 when the Company announced approval to mine, trading volumes increased
- the percentage volumes traded ranges from 4.03% per month, except in February 2015 and July 2015, when the announcements were made regarding the Proposed Transaction, the volumes traded increased.

The shares appear to be thinly traded given the low volumes traded, the relatively large bid-ask spread and the relatively static share trading price.

Alliance options

The following table summarises the unlisted options outstanding as at the date of this Report.

Table 17: Outstanding Alliance options

Issue date	# of unlisted options '000	Exercise price \$	Expiry date
27 January 2015	31,417	0.15	30 September 2015
30 January 2015	625	0.15	30 September 2015
4 March 2015	27,602	0.15	30 September 2015
Total	59,644		

Source: ASX announcements

The options were issued as part of a non-renounceable rights issue to Shareholders announce in a prospectus dated 2 December 2014, primarily to fund the development costs and contributions for the Project. The options convert on a 1:1 basis.

4.8 Financial information - The Project

As a minority JV participant to the Project, access to financial information has been restricted by the majority participant.

Cash calls on the Project and dilution of interest

Under the terms of the JV agreement governing the Project:

- parties are to pay all costs of the Project in proportion to their respective interests in the JV
- within 30 days after the end of each month, the manager of the JV shall issue a cash call to each JV party for its proportion of the costs paid or incurred during the preceding month, and may, not more than 30 days prior to commencement of any month, issue cash calls for estimated costs for the upcoming month
- within 14 days after approval by the management committee of a program and budget, any party may elect not to contribute to the program and budget and thereby dilute its interest in the JV, in accordance with a specified dilution formula
- if the interest of a party to the JV dilutes to less than 3.0%, that JV party shall be deemed to have withdrawn from the JV.

Alliance elected not to make any contributions to the Project from December 2014 and its interest in the JV has reduced from 25.0% to approximately 19.5% at 30 June 2015 as a consequence.

Total contributions by way of cash calls to the Project for mine development by Alliance, since inception of the Project have been as follows:

Table 18: Net book value of the Project

	\$'000
Cash calls for the Project to date	31,331
less Share of net loss attributable to Project	(8,537)
Equity accounting value of the Project	22,794
add South Australia - FM Project	1,148
add FM Project - Rehab Provision	840
Net book value of the Project	24,783

Source: Alliance management

This is reflected in the balance sheet of Alliance as non-current assets classified as held for sale. ACE's share of UOC already mined is estimated to be \$25 million¹³.

¹³ Estimate at 31 March 2015 based on Alliance ASX announcement dated 2 July 2015. Estimate as 30 June 2015 is approximately \$27 million

5. Industry overview

Alliance operates in the uranium mining industry in Australia. Our commentary on the uranium mining industry has been sourced from IBISWorld report dated May 2015.

The conditions and prospects of the uranium mining industry in Australia are summarised below.

5.1 Introduction

Radioactive ores were first extracted in South Australia at Radium Hill in 1906, and Mount Painter in the 1930s, to recover radium for medical use. Several hundred kilograms of uranium were produced.

Of the world's proven estimated uranium reserves (5,404,000 tonnes), 31% are held in Australia (1,673,000 tonnes), while the second largest country, Kazakhstan, holds 12.1% (651,800 tonnes).

In terms of production, Canada is the largest exporter, followed by Kazakhstan and Australia. Australia exported 50,235 tonnes of uranium oxide concentrate in the five years to 2008, worth \$2.9 billion.

Following the Japanese Fukushima nuclear accident in early 2011, many countries are scaling back their nuclear power production, with some setting deadlines for a complete shutdown of all nuclear power reactors. It is expected that this may impact on demand for Australian uranium. However, State governments have now approved mine developments in Western Australia and Queensland. But as of 2013 uranium prices have been low, and it is unlikely that new projects will enter active development until the market improves.

Historically, many prospective Australian uranium mines have been constrained by active antinuclear opposition. For several decades uranium mining has been a major part of the Australian political landscape, with opposition groups citing the wide ranging environmental impacts, indigenous land access and nuclear proliferation as reasons for ceasing or restricting the industry. The debate has resulted in limitations on mining and export activities, with Federal and State governments occasionally reversing their stance on public policy.

Generally, there is only one commercial use for uranium: as the source material for nuclear power generation. In February 2009 there were 436 operational nuclear power plants worldwide, with a total generating capacity of nearly 372 gigawatts of electricity. Another 64 nuclear power reactors are expected to be commissioned over the next six years.

There are no nuclear power generation plants operating in Australia and therefore no material domestic demand. The High Flux Australian Reactor at Lucas Heights, New South Wales operated from 1958 to 2007. The OPAL research reactor is currently in operation at Lucas Heights.

Australian uranium is mined and sold only for electrical power generation or nuclear research. Almost all the uranium is exported under strict International Atomic Energy Agency safeguards.

5.2 Competitors

We have identified three competitors in the uranium mining industry in Australia:

- BHP Billiton Ltd (72% market share¹⁴) – a publicly listed diversified Australian company that operates in mineral, oil and gas exploration and development, production and processing industries.
- Energy Resources of Australia Ltd (19% market share) – a publicly listed Australian company that is mainly engaged in uranium ore mining and processing. Rio Tinto Group, which encompasses UK-based Rio Tinto PLC and Australia-based Rio Tinto Ltd, owns a 68.4% interest in ERA.

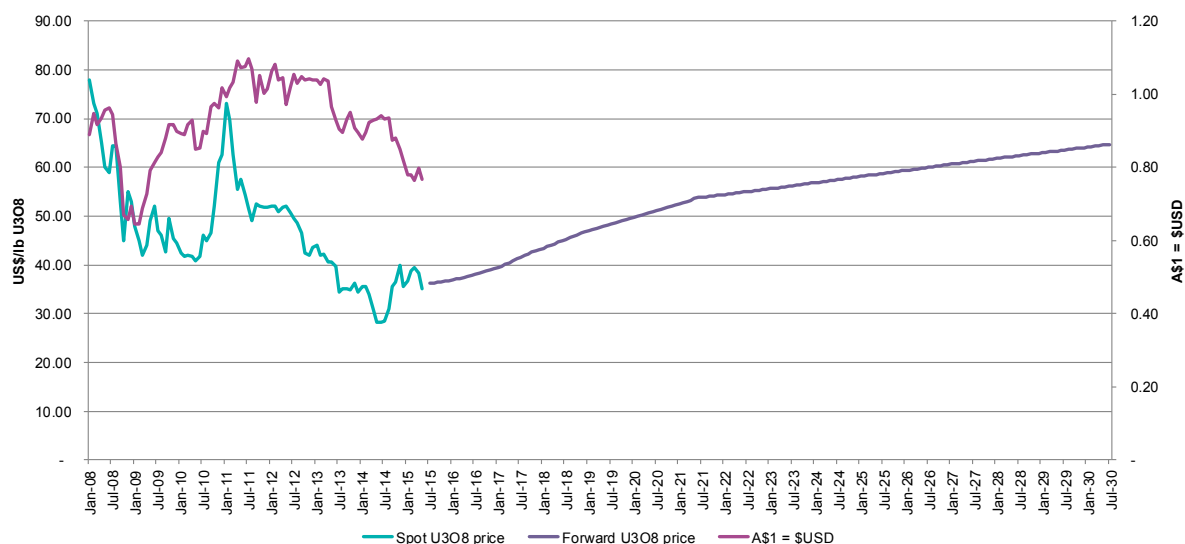
¹⁴ IBISWorld report May 2015 for market share of competitors

- Heathgate Resources Pty Ltd (9% market share) – a foreign-owned proprietary company that operates a uranium mine in South Australia. The firm is a subsidiary of General Atomic Inc, a private aerospace and defence company based in the United States. Its primary uranium mine is located in Beverley, SA.

5.3 Uranium commodity prices

There is no established index for uranium prices. Uranium prices are published by traders in the industry. Based on Ux Consulting ('UxC') data, the uranium spot price at 31 May 2015 was USD\$35.00/lb U₃O₈. Figure 3 below shows U₃O₈ price trends since 2008 and expected forward prices.

Figure 3: U₃O₈ price trends and historical AUD/USD rates



Source: UxC for historic and spot prices, Numerco for forward prices, Reserve Bank of Australia for exchange rates

Since Australia has no local nuclear reactors, all of its uranium production is exported. Spot prices are influenced by the demand and supply of energy and periodical spikes in environmental concerns regarding the safety of nuclear fuel.

The spot price of uranium has been volatile over the past five years. Japan's Fukushima nuclear accident reduced global demand for nuclear fuel. In March 2011, Japan was hit by a large-scale offshore earthquake. The ensuing tsunami damaged its Fukushima nuclear reactor and caused explosions, fires and the release of radioactive material from the plant. The accident raised further questions about the sustainability of nuclear power as an energy source, prompting Japan and several other countries to cut down their nuclear programs.

Germany has ordered seven of the country's oldest nuclear reactors to shut down while officials in China and India, both of which have major investments in nuclear power plants planned, also called for reviews of their atomic energy programs. All of this has had a detrimental effect on global demand for uranium and contributed to lower prices.

The actions of the Japanese Government are now set to determine the spot price of uranium. If the Japanese Government decides to permanently reduce its nuclear energy program, the country's inventory of excess uranium will be sold on the international market, which would create an oversupply and further drive down spot prices.

Fluctuations in the Australian dollar have also accentuated volatility in uranium spot prices over the past five years. The price of uranium is expressed in US dollars and a stronger Australian dollar over the three years through 2012-13 reduced the revenue generated in local currency.

5.4 US dollar exchange rates

Uranium prices are set in US dollars. Therefore, the strength of the Australian dollar has a large influence on the revenues of local uranium miners. A stronger Australian dollar will reduce the returns to local uranium miners, while a weaker dollar has the opposite effect. The Australian dollar has appreciated by around 5% on a trade-weighted basis and against the US dollar since early April after depreciating by 15% to 20% from September 2014 to early April 2015¹⁵.

NAB currently forecasts the AUD to depreciate against the USD over the next 12 months which will be beneficial to Australian uranium producers. The forecast exchange rates are summarised in Table 19.

Table 19: NAB forecast AUD/USD rates

Month	Forecast AUD/USD rate
Jun-15	0.78
Sep-15	0.76
Dec-15	0.74
Mar-15	0.73
Jun-16	0.73

Source: NAB forecast exchange rates

5.5 Industry performance and outlook

The performance of the uranium mining industry is heavily dependent on production volumes and global uranium prices. Producers sell the bulk of their output on the basis of long-term contracts, rather than on spot markets. Contract prices, which are renegotiated periodically, tend to be influenced by spot prices but are less volatile.

Over the past five years, Australian industry revenue has fluctuated dramatically due to volatile prices and unstable output volumes from the industry's three enterprises. The industry's fourth enterprise, Uranium One exited the industry in 2012-13 after its Honeymoon mine in South Australia was mothballed due to low production volumes.

Industry revenue is estimated to decline at an annualised 2.4% over the five years to 2014-15, to reach US\$696.7 million. Uranium miners in the industry have generated less revenue due to lower production volumes and falling prices.

Demand for uranium tends to be inelastic, which means that major shifts in price typically do not greatly affect overall demand. However, a lower world price of uranium adversely affects uranium miners, as they receive less per pound of uranium ore that they mine. Revenue volatility has also been very high over the past five years, as slight shifts in volume and price can have a drastic effect on firms' revenue.

Falling prices contributed to a 17.9% fall in industry revenue in 2010-11 while a 36.1% decline in production volumes resulted in an even greater industry revenue drop in 2013-14. Strongly rising prices and improving production volumes are expected to result in a 30.4% jump in revenue in 2014-15.

Profit margins are estimated to account for only 1.1% of revenue in 2014-15. Like revenue, industry profitability can fluctuate dramatically depending on price and volume movements. Uranium miners also have high fixed costs and delays in production can affect their profit margins.

Profitability has declined over the past five years due to falling uranium prices, as miners received less per tonne of ore. Their operating costs also declined, but at a slower rate. Energy Resources of Australia ('ERA'), the industry's second-largest major player, has incurred significant losses over the past five years. Rising wage costs as a proportion of revenue have also exacerbated the pressure on industry profit margins over the past five years.

¹⁵ Reserve Bank of Australia Statement on Monetary Policy May 2015

6. Valuation methodologies

6.1 Introduction

PPB has assessed the value of Alliance using the concept of fair market value. Fair market value is commonly defined as:

“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller acting at arm’s length.”

Fair market value excludes any special value. Special value is the value that may accrue to a particular purchaser. In a competitive bidding situation, potential purchasers may be prepared to pay part, or all, of the special value that they expect to realise from the acquisition to the seller.

6.2 Valuation methodologies

RG111 outlines the appropriate methodologies that a valuer should generally consider when valuing assets or securities for the purposes of, amongst other things, share capital returns, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- Discounted Cash Flow (‘DCF’) method and the estimated realisable value of any surplus assets.
- Application of earnings multiples to the estimated future maintainable earnings or cash flows of the entity, added to the estimated realisable value of any surplus assets.
- Amount available for distribution to security holders on an orderly realisation of assets.
- Quoted price for listed securities, when there is a liquid and active market.
- Any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.

Further details on these methodologies are set out in Appendix D to this report. Each of these methodologies is appropriate in certain circumstances.

RG111 does not prescribe the above methodologies as the method(s) that an expert should use in preparing their report. The decision as to which methodology to use lies with the expert based on the expert’s skill and judgement and after considering the unique circumstances of the entity or asset being valued. In general, an expert would have regard to valuation theory, the accepted and most common market practice in valuing the entity or asset in question and the availability of relevant information.

6.3 Methodology selected to value the Project

Alliance has an indirect minority interest (through ACE) in the Project. According to the JV agreement, JV parties are required to contribute to mine development costs in the proportion to their equity interest. Where a JV party does not contribute to the mine development costs, its interest will be diluted to the extent it does not contribute. In the absence of further contributions, the Directors expect that Alliance will be diluted to 3% by July 2025 and hence at this level will be deemed to have withdrawn from the Project.

JV parties are entitled to their share of revenue in proportion to their equity interest.

We have used the DCF based on the net present value of Alliance’s revenue entitlement less its contribution to the development costs to determine the fair market value of Alliance’s interest in the Project.

As a cross check we have used the net asset approach comprising its contribution to the development costs, both capitalised and expensed. The net assets approach should provide the minimum value for the Project.

We have also cross checked our valuation calculations with the share market price of Alliance.

6.4 Methodology selected to value Alliance

For the purpose of the Proposed Capital Return we have considered the operating activities and financial position of Alliance after the Proposed Transaction.

After the implementation of the Proposed Transaction, Alliance's operating activities will comprise its investments in its existing exploration assets, that are still in their early stage of development.

The Company will also have a significant cash balance, mostly comprising the proceeds of the Proposed Transaction.

We have used the net assets approach to determine the fair market value of Alliance after the Proposed Transaction.

In assessing the fair market value of Alliance, we have considered:

- the fair market value of the exploration assets
- the realisable value of the other net assets and liabilities
- the transaction costs payable in relation to the Proposed Transaction.

We have cross checked our valuation calculations to the current share market price of Alliance.

7. Valuation of the Project

7.1 Valuation summary

Based on our analysis, the fair market value of the Project is in the range of \$64.0 million to \$67.4 million, as summarised in Table 20 below.

Table 20: Fair market value of the Project

	Low \$ million	High \$ million
Fair market value of Alliance's indirect interest in the Project	63.911	67.442

Details of the valuation methodology, inputs, assumptions and calculations used in arriving at the above conclusion are set out in the remainder of this section.

7.2 Discounted Cash Flow Valuation

The key inputs into a DCF model are:

- future cash flows
- discount rate.

Each of the above items are discussed below

Future cash flows

The future cash flows from the Project that Alliance is entitled to comprise the revenue, less its contribution to the mine development costs, in the proportion to its equity interest at any point in time.

In an ASX announcement in February 2015, the Directors stated that Alliance's interest of 25% in the Project would reduce to approximately 15% by 31 December 2015 as a result of Alliance electing not to contribute to the Four Mile 2015 Program and Budget¹⁶.

Quasar and Alliance disagree about the size of the Mine Development Area ('MDA'). If Alliance does not contribute any further, the Directors expect that Alliance's interest will be diluted to less than 3% by mid-2025.

According to the JV agreement, a JV party whose interest is less than 3% is deemed to have withdrawn from the Project.

Cash flows to Alliance from the Project will comprise revenue from sales of uranium in its percentage equity interest. The resources and reserves of the Project are as summarised in Section 4.2.

¹⁶ Refer ASX announcement dated 20 November 2014.

The key inputs to our assessment of future cash flows are summarised in Table 21.

Table 21: Future cash flow inputs

Alliance interest at 30 June 2015	Approximately 19.5%, based on discussions with Alliance management
Alliance interest at July 2025	Approximately 3.0%, after which they are deemed to have withdrawn from the Project, based on Alliance management estimates and in the absence of further contributions to the Project
Commencement of production	April 2014, based on Alliance ASX announcements
Expected total production	2.5 million lb per annum (208,333 lb per month) from July 2015 onwards, based on a proposed program and budget provided by Quasar on 7 October 2014. Total production up to 30 June 2015 is 2,441,092 lbs. Alliance's actual share of production up to 30 June 2015 is 579,149 lb. Revenue is yet to be received for this production.
Expected first delivery and consequential revenue receipt	Third quarter 2015, based on evidence given during the Proceedings
U₃O₈ prices	Based on Numerco ¹⁷ prices. As at 30 June 2015 the spot price was USD36.19, increasing to USD58.26 by June 2025. This implies a constant annual growth rate of approximately 5.0%. We have tested the sensitivity of our DCF to the price growth assumption, refer Section 7.3.
Total operating costs for 100% of Project	Approximately \$9.8 million per month from 1 July 2015 to 30 June 2025, based on discussions with Alliance management
Shipping, royalties and marketing costs	6.0% of revenue, based on discussions with Alliance management
Alliance cash call contributions	Nil from November 2014 onwards, based on ASX announcements
Tax payable	Alliance has estimated carry forward tax losses of \$88.1 million at 30 June 2015. Tax is payable at the 30% corporate tax rate after tax losses are exhausted. We have assumed that all the tax losses are available for use against future profits.
AUD/USD exchange rate	0.768 as at 30 June 2015, as reported by the RBA

Discount rate

We have assessed the after tax discount rate for the Project to be in the range of 13.0% to 15.0%. Inputs to our discount rate calculation are summarised in Appendix E.

¹⁷ Numerco Limited is an independent commodity supply agent

7.3 Sensitivities

Table 22 below summarises the changes in the value of the Project by changing the following key assumptions:

- annual price growth of uranium (U_3O_8)
- discount rate.

Table 22: Sensitivity analysis

	\$ million	Discount Rate				
		16.0%	15.0%	14.0%	13.0%	12.0%
Annual U_3O_8 Price Growth	0%	54.4	55.8	57.2	58.6	60.2
	5%	60.6	62.2	63.8	65.6	67.4
	10%	68.8	70.8	72.9	75.1	77.5

Source: Alliance and PPB Analysis

Based on our analysis, the fair market value of the Project is in the range of \$64.0 million to \$67.4 million.

The values in Table 22 above assume the uranium price increases at a constant rate. Numerco price increases between 2015 and 2025 averaged approximately 5% per annum, however the Numerco forecast increases are not at a constant rate which accounts for the slight variation in values in the table compared to our assessed fair market value range.

7.4 Cross check

In order to cross check the reasonableness of our valuation using the primary methodology, we have considered:

- the net asset value of the Project
- the quoted share trading price of Alliance, and its market capitalisation.

Based on our review of the above our assessed valuation range appears reasonable.

Net asset value of the Project

The net asset value, based on book value of the Project at 30 June 2015 was \$24.8 million as summarised in Table 23 below.

Table 23: Net book value of the project

	\$'000
Cash calls for the Project to date	31,331
less Share of net loss attributable to Project	(8,537)
Equity accounting value of the Project	22,794
add South Australia - FM Project	1,148
add FM Project - Rehab Provision	840
Net book value of the Project	24,783

Source: Alliance management

ACE's share of UOC already mined is estimated to be \$25 million¹⁸. This represents Alliances share of production to date for which revenue has not yet been received.

¹⁸ Estimate at 31 March 2015 based on Alliance ASX announcement dated 2 July 2015. Estimate as 30 June 2015 is approximately \$27 million

Market capitalisation

The Project is Alliance's major asset and it represents approximately 98.9% of the net asset value (based on book values) of Alliance as at 30 June 2015. It is reasonable to assume that the market capitalisation of Alliance will mostly reflect the market's expectations regarding that asset.

The market capitalisation of Alliance at 30 June 2015 was \$33.7 million. This represents a minority value of the company because it is based on share prices for trades in minority parcels of shares.

Assuming that 98.9% of the market capitalisation is attributable to the Project, in line with the proportion of net assets, the implied value attributable to the Project is \$33.3 million on a minority interest basis.

Based on the market capitalisation, after a control premium of 25% to 40%, the implied control value of Alliance is \$42.1 million to \$47.2 million. Based on our assessed fair market value of the Project of \$41.6 million to \$46.6 million, the fair market value of the Project is higher than the market capitalisation of Alliance at 30 June 2015.

A possible reason is that the shares of Alliance are thinly traded and as noted in Section 4.7 the share price of Alliance did not respond to the announcements of the Proposed Transaction that were made by the Company on 23 February 2015, 13 July 2015 and 14 July 2015. The share trading price may not reflect their fair market value.

8. Valuation of Alliance

8.1 Valuation summary

Based on the following analysis, in our opinion, the fair market value of Alliance after the Proposed Transaction is \$73.8 million (\$0.184 per share), on a net assets and undiluted basis.

Details of the valuation methodologies, assumptions and calculations adopted in arriving at the above conclusion are set out in the remainder of this section.

8.2 Net asset valuation

The net asset value of Alliance after the Proposed Transaction is based on the proforma net book values as at 30 June 2015 adjusted for the Proposed Transaction. Refer Table 1.

We have assessed the fair market value of Alliance after the Proposed Transaction to be \$73.8 million, as summarised in Table 24 below:

Table 24: Fair market value of Alliance after the Proposed Transaction

\$'000	Proforma (after the Proposed Transaction)
Current Assets	
Cash	74,402
Accounts Receivable	56
Other Current Assets	60
Non-Current Assets Classified as Held for Sale	-
Total Current Assets	74,517
Non Current Assets	
Other Receivables	870
Available-for-Sale Financial Assets	271
Property, Plant and Equipment	7
Exploration and Evaluation	574
Total Non Current Assets	1,723
Current Liabilities	
Accounts Payable	2,235
Employee Benefits	57
Provisions	30
Liabilities Directly Associated with Assets Classified as Held for Sale	-
Total Current Liabilities	2,322
Non Current Liabilities	
Employee Benefits	90
Total Non Current Liabilities	90
Net Assets	73,828
No. of fully paid listed ordinary shares ('000)	400,816
Value of a share (cents)	18.42

Source: Reviewed interim financial statements for 31 December 2014 and PPB Analysis

In relation to the fair market value of Alliance, we have assumed the following:

- net asset value is derived on a going concern basis and there is no adjustment required for realisation costs
- since the exploration and evaluation asset is in relation to early stage exploration projects, the net book value approximates the fair market value
- all other assets and liabilities are monetary assets and liabilities and their book values approximate their fair market value
- the Consideration for the Proposed Transaction is \$73.975 million, refer Section 1.1
- transaction costs of \$0.5 million
- the outstanding options have not been exercised.

8.3 Cross-Check

Our analysis of Alliance's market capitalisation for the 60 days before the Valuation Date is summarised in Table 25 below.

Table 25: Market capitalisation of Alliance

Trading period to 30 June 2015	Market capitalisation \$ million		
	Average	Minimum	Maximum
1 day	33.8	32.9	34.1
10 days	32.3	30.9	35.3
30 days	33.6	30.9	38.5
60 days	32.9	28.9	42.1

Source: Capital IQ

We note that:

- the market capitalisation represents a minority value of the company because it is based on share prices for trades in minority parcels of shares
- the volume of shares traded has been limited over the period considered
- the share price does not appear to have reacted to the announcements of the Proposed Transaction
- the share trading price reflects the value which minority shareholders could realise for their investment
- the Project is Alliance's major asset, therefore, it is expected that the share trading price mostly reflects the markets expectations regarding the value of that asset.

Whilst the liquidity of Alliance shares is limited, we have considered the share trading price as an indicative cross check to our valuation of Alliance and we would expect the market capitalisation to be lower than the value the Project.

9. Assessment of the Proposed Transaction

9.1 Conclusion

The Proposed Transaction is fair and reasonable to Shareholders, as a whole.

9.2 Approach

The Proposed Transaction will be fair to the Shareholders of Alliance if the fair market value of the Consideration being received from Quasar is equal to or greater than the fair market value of Alliance's indirect interest in the Project.

For the purpose of assessing the fairness of the Proposed Transaction, PPB has compared:

- the assessed fair market value of Alliance's interest in the Project on a controlling interest basis
- the consideration being offered by Quasar comprising a cash payment of \$73.975 million.

In assessing the reasonableness of the Proposed Transaction, we considered the advantages and disadvantages of the Proposed Transaction proceeding as well as any other factors that we identified.

9.3 Fairness

A summary of our fairness assessment is set out in Table 26 below.

Table 26: Fair value assessment

	Report Reference	Low \$ million	High \$ million	Mid \$ million
Consideration (cash)	Section 1.1	73.975	73.975	73.975
Fair market value of Alliance's interest in the Project	Section 7.1	63.911	67.442	65.635
Fair / (unfair)		10.064	6.533	8.340

Source: PPB analysis

As our assessed fair market value of Alliance's interest in the Project is lower than the fair market value of the Consideration, we have determined that the Proposed Transaction is fair to the Shareholders of Alliance as a whole.

9.4 Reasonableness

As the Proposed Transaction is fair to the Shareholders, the Proposed Transaction is also reasonable in accordance with RG 111. Nonetheless, we have summarised below some of the relevant factors associated with the Proposed Transaction.

We have been advised that before the Proposed Transaction, the Directors had conducted an extensive review of the Company's activities and an extended sale process in relation to Alliance's interest in the Project. Accordingly, the Board believes that it has undertaken all it can do to maximise value for all Shareholders.

There are a number of potential advantages and disadvantages to Shareholders arising from the approval of the Proposed Transaction and these are summarised as below.

Advantages of the Proposed Transaction

Allows the Company to realise its key asset at fair market value

The Directors have conducted an extended sale process for Alliance's indirect interest in the Project and now have the opportunity to divest this interest to Quasar, the other joint venture party. The Directors believe that Quasar's offer maximises value for Shareholders.

The Directors received a number of indicative offers for Alliance's indirect interest in the Project. On balance, the Directors believe that Quasar's offer is superior and the best available opportunity to maximise value for Shareholders.

Delivers an immediate return of capital to Shareholders

The Proposed Transaction will deliver a cash consideration to Alliance that is greater than the net book value and the fair market value of the Project. As a result, the Directors are proposing to return the majority of the proceeds to Shareholders by way of a capital return.

Reduce the exposure to uranium prices and exchange rates

Uranium prices are adversely impacted by political agendas of governments in relation to nuclear power. As there are no uses for uranium in Australia, uranium companies in Australia have to sell their product overseas, which exposes them to global uranium prices and exchange rates.

Removes the exposure to the Proceedings and other litigation with Quasar

The Company will no longer be exposed to the uncertainty of legal proceedings and the legal costs that it has experienced and incurred in the recent past due to disagreements with Quasar.

The Company has been exposed to legal proceedings relating to the Project since November 2009 and incurred significant legal costs (approximately \$11.4 million between FY13 and FY15). As with all litigation matters, a favourable outcome is never certain.

Removes the requirement for ongoing funding of a developing mining project

The Company will no longer have the requirement to fund the Project, unless it elects not to contribute to funding, that has been onerous on the Company with its limited funding resources. Alliance previously has had to revert to the equity market to raise capital to meet its cash calls for the Project.

The Company has contributed approximately \$31 million to the Project with no return to date. Revenue from the Project is expected to commence toward the end of calendar year 2015, although the Company will still be required to contribute to development costs at about \$2.4 million per month.

Disadvantages of the Proposed Transaction

The Company will lose its potential income earning asset

The Project is the Company's key potential income generating asset, with revenue expected to be generated in late 2015 calendar year.

Alliance's other exploration assets are at a very early stage of development with no immediate expectation of income generation.

The Proposed Transaction may affect the Company's ability to remain listed on the ASX, as it may no longer meet the trading activity requirements

As a result of the Proposed Transaction, the size of the Company's asset base and operating activities will reduce significantly.

The Company will continue to incur various costs (including listing costs) and such costs may ultimately result in a further reduction in value to Shareholders

The Company's asset base will become non income generating while operating costs will continue, thereby contributing to the erosion of Shareholder value.

Reduces the Company's exposure to uranium

Shareholders that elected to invest in Alliance for exposure to uranium will need to seek exposure through other investments.

Other factors

If the Proposed Transaction does not proceed, the Company will retain its interest in the Project and will continue to be required to make its contribution to development costs through cash calls. This could put financial pressure on the Company. The Company has limited financial resources and may be required to source funding from the equity market in order to maintain its interest in the Project.

If the Proposed Transaction does not proceed, the Company will continue to be exposed to the proceedings with Quasar and the consequential legal costs.

If the Proposed Transaction does not proceed the Proposed Capital Return will not proceed.

Reasonableness conclusion

Based on the qualitative factors summarised above, it is our opinion that the Proposed Transaction is reasonable to the Shareholders.

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10. Assessment of the Proposed Capital Return

10.1 Conclusion

The Proposed Capital Return is fair and reasonable to Shareholders, as a whole.

10.2 Approach

In forming our opinion as to whether the Proposed Capital Return is fair and reasonable to the Shareholders, PPB has had regard to the following:

- the reasons for the Proposed Capital Return
- the overall terms of the Proposed Capital Return
- alternative options available to the Company
- the trading history of Alliance's shares on ASX
- the potential impact of the Proposed Capital Return upon Alliance's cash and financial position
- net tangible assets per share and share structure of Alliance (after the Proposed Transaction)
- the likely implications for the Company if the Proposed Capital Return is not implemented
- the advantages and disadvantages of the Proposed Capital Return.

10.3 Fairness

In forming our opinion on the fairness of the Proposed Capital Return, we compared the difference between our assessed fair market value per share of Alliance before and after the Proposed Capital Return to the amount of the Proposed Capital Return. We also compared the Proposed Capital Return to the current share price.

Before the Proposed Capital Return (and after the Proposed Transaction), our pro forma net asset value per share is \$0.184. After the Proposed Capital Return the net asset value per share is \$0.064. The difference is the Proposed Capital Return of \$0.12 paid to Alliance Shareholders (refer to Section 1.2 for further details). In our opinion, the net asset value represents fair market value.

The Proposed Capital Return of \$0.12 per share is higher than the closing share trading price of Alliance as at 30 June 2015 of \$0.085. Therefore Shareholders will be receiving more than the current share price if the Proposed Capital Return proceeds and retain ownership of their shares in Alliance. Accordingly, we conclude that the Proposed Capital Return is fair to Alliance shareholders.

10.4 Reasonableness

As the Proposed Capital Return is fair to the Shareholders, the Proposed Capital Return is also reasonable in accordance with RG 111. Nonetheless, we have summarised below some of the relevant factors associated with the Proposed Capital Return.

Advantages of the Proposed Capital Return

Opportunity for all Shareholders to receive a capital return in a once off transaction

The Directors of Alliance have advised that they propose to return capital, as a cash payment, to the Shareholders that is in excess of the Company's operating requirements.

The capital return per share exceeds the current share price and net book value of the Company's net assets.

Shareholders will still retain the shares they hold in Alliance.

No transaction costs

Shareholders participating in the Proposed Capital Return will be able to do so without incurring any costs.

Ability to pay creditors

The Proposed Capital Return will not materially prejudice the Company's ability to pay its creditors. The Company will have sufficient cash resources to pay its creditors and any tax payable after the Proposed Capital Return.

Disadvantages of the Proposed Capital Return

Impact on financial position

The Proposed Capital Return will be paid out of the Consideration received from the Proposed Transaction. The effect of the Proposed Capital Return is the Company's cash reserves will be reduced by the amount of capital (cash) returned (paid) to Shareholders (approximately \$48.1 million¹⁹).

Effect on capital structure

For the purposes of LR 7.20, the Company's share capital will reduce by \$0.12 per share, or approximately \$48.1 million²⁰. At the date of this Report, the Company's share capital would be estimated to reduce from approximately \$73.8 million to \$25.7 million²¹.

No shares will be cancelled and the number of shares held by Shareholders will not change as a result of the Proposed Capital Return. All the Shares issued by the Company will be fully paid.

The record date has been set for after the expiry date of the options. Accordingly, should an option holder wish to participate in and receive the benefit of the Proposed Capital Return, the option holder must exercise their options by the expiry date of the options at the latest.

Effect on share price

The Company's Shares are expected to trade at a lower price after the Proposed Capital Return than the trading price immediately before the "ex" date for the Proposed Capital Return.

Other factors

Tax consequences

Alliance has sought independent tax advice. On the basis of the tax advice, there will be tax consequences for Australian resident and non-Australian resident Shareholders. Alliance is in the process of applying for a class ruling to confirm the tax treatment.

For Australian resident Shareholders, the receipt of the Proposed Capital Return will give rise to a CGT event for Shareholders. The income tax consequences arising on receipt of the Proposed Capital Return will depend on the Shareholder's cost base of their Shares.

For non-Australian resident Shareholders, the receipt of the Proposed Capital Return will not be subject to withholding tax.

Refer to Section 2.8 of the Explanatory Statement for details of the tax consequences of the Proposed Capital Return.

Cash reserves

We have been advised by the Directors that the Company is using the majority of the funds from the Consideration to fund the Proposed Capital Return and it will retain sufficient cash reserves to meet its obligations. Refer to Section 2.7 of the Explanatory Statement for further details. The Company does not have any interest bearing debt or other financial facilities as at the date of this Report.

¹⁹ Assumes approximately 400 million ordinary shares on issue. If all outstanding options are exercised, this could be approximately \$55 million

²⁰ Ibid

²¹ On a fully diluted basis share capital is estimated to reduce from approximately \$82.8 million to \$27.5 million.

Share price of Alliance in the absence of the Proposed Capital Return

If the Proposed Capital Return is not approved, the share price of Alliance may not rise from the current trading price because there are no alternative plans for the use of the funds from the Consideration. The Company will continue to incur administrative expenses whilst seeking to find alternative strategic options.

Reasonableness conclusion

Based on the qualitative factors identified above, in our opinion the Proposed Capital Return is reasonable to the Shareholders.

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11. Limitations and disclosures

11.1 Qualifications

PPB holds an Australian Financial Services Licence (No. 344626) under the Act and its authorised representatives are qualified to provide this Report.

PPB provides a range of corporate advisory services and has advised on numerous takeovers, valuations, acquisitions and restructures.

This report has been prepared by Fiona Hansen B Com, Hon Acc Science, CA, CA (SA) and a Director at PPB Advisory. Fiona has over 20 years' experience in corporate finance advice including business valuations, preparing independent expert's reports, transaction advisory, financial due diligence and mergers and acquisitions.

This report has also been prepared by Campbell Jaski BSc(Hons), MBA, FAusIMM, FFin and a Partner at PPB Advisory. Campbell has over 20 years' experience in resources and corporate finance. Campbell specialises in mining and resource sector valuations.

Based on their experience, Fiona and Campbell have the appropriate experience and qualifications to provide the advice offered.

11.2 Disclaimers

This Report was not prepared for any other purpose or for use by any other person. PPB does not accept any responsibility to any person other than the Directors and Shareholders for the use of the Report outside the stated purpose without the written consent of PPB. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

Approval or rejection of the Proposed Transaction and Proposed Capital Return is a matter for individual Shareholders based on their expectations as to various factors including the value and future prospects of Alliance, the terms of the Proposed Transaction and Proposed Capital Return, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Shareholders should carefully consider the Notice of Meeting and Explanatory Statement. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction and Proposed Capital Return should consult their professional adviser.

11.3 Current Market Conditions

Our opinion is based on economic, market and other conditions prevailing at the Valuation Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly out dated and in need of revision. PPB reserves the right to revise any valuation or other opinion in the light of material information existing at the Valuation Date that subsequently becomes known to PPB.

11.4 Currency

All references to "\$" and "dollars" are references to Australian dollars unless stated otherwise.

11.5 Independence

Prior to accepting this engagement, PPB considered its independence with respect to the Proposed Transaction and the Proposed Capital Return with reference to the ASIC Regulatory Guide 112 Independence of Experts ('RG112') and APES 110 Code of ethics for professional accountants issued by the Accounting Professional and Ethics Standards Board. We have concluded that there are no conflicts of interest with respect to Alliance or the Project or its shareholders and all other parties involved in the Proposed Transaction and the Proposed Capital Return.

PPB has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction or the Proposed Capital Return other than that of independent expert. PPB is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report.

Except for these fees, PPB will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction or the Proposed Capital Return. PPB will receive no other benefit for the preparation of this Report.

11.6 Consents

PPB consents to issuing this report in the form and context in which it is included in the accompanying the Notice of Meeting and Explanatory Statement. Apart from the Report, PPB is not responsible for the contents of the Notice of Meeting and Explanatory Statement, or any other document or announcement associated with the Proposed Transaction and Proposed Capital Return. PPB acknowledges that its Report may be lodged with regulatory bodies.

11.7 Reliance on information

The statements and opinions contained in this Report are given in good faith and are based upon PPB's consideration and assessment of information provided by Alliance. PPB believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, inquiry and review for the purpose of forming our opinion. The procedures adopted by PPB in forming our opinion may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

It was not PPB's role to undertake, and PPB has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Proposed Transaction and Proposed Capital Return. PPB understands that the Alliance Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary.

PPB does not provide any warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Alliance Directors and/or their advisors.

An opinion as to whether a corporate transaction is "fair" and/or "reasonable" is in the nature of an overall opinion, rather than an audit or detailed investigation and it is in this context that PPB advises that it is not in a position, nor is it practical for PPB, to undertake a detailed investigation or extensive verification exercise.

It is understood that, except where noted, the accounting information provided to PPB was prepared in accordance with generally accepted accounting principles (including adoption of Australian Equivalents to International Financial Reporting Standards) and prepared in a manner consistent with the method of accounting used by Alliance in previous accounting periods.

In accordance with normal practice, prior to finalising the Report, we confirmed facts with Alliance. This was undertaken by means of providing Alliance with a draft report. PPB obtained a representation letter from Alliance confirming that, to the best knowledge of Alliance, the information provided to, and relied upon by, PPB was complete and accurate, and that no significant information essential to the Report was withheld.

Alliance has agreed to indemnify PPB, including its related entities and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided to PPB by Alliance, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

11.8 Prospective financial information

In preparing this Report, PPB had regard to prospective financial information for the financial ('Prospective Financial Information'). PPB understands that the respective Prospective Financial Information have been prepared as part of the ongoing management processes of the Alliance in relation to the Project.

For the purposes of our Report, PPB understands and has assumed that the Prospective Financial Information:

- has been prepared fairly and honestly, on a reasonable basis and is based on the best information available to the management and Directors of Alliance, respectively and within the practical constraints and limitations of such information
- do not reflect any material bias either positive or negative.

We understand that the Prospective Financial Information is based on assumptions concerning future events and market conditions and while prepared with due care and attention and the respective Directors consider the assumptions to be reasonable, future events and conditions are not accurately predictable and the assumptions and outcomes are subject to significant uncertainties. Actual results are likely to vary from the Prospective Financial Information and any variation may be materially positive or negative. Accordingly, neither the Directors of Alliance nor PPB guarantee that the Prospective Financial Information or any other prospective statement contained in this Report or otherwise relied upon will be achieved.

For present purposes, PPB has not been engaged to undertake an independent review of the Prospective Financial Information in accordance with Australian Auditing or Assurance standards, and has not undertaken such a review. However in order to disclose and to rely on the Prospective Financial Information in this Report, PPB is required to satisfy itself that the Prospective Financial Information have a reasonable basis.

Set out below are some of the factors that, in our opinion, support a conclusion that the Prospective Financial Information has a reasonable basis:

- a material portion of the Prospective Financial Information incorporates established trends in the respective businesses and current arrangements in place.
- it is not based on business models that have yet to be proven and/or anticipated
- the reporting and budgeting processes of Alliance have been in place for some time and involves regular reporting of actual performance to budget variances, management follow up and the process itself is under continuous review
- it is based on detailed models that are designed to be driven by specific key inputs
- it has been endorsed by the respective management and Directors
- appropriate allowances have been made for known contingencies.

In order to ascertain the above, the scope of PPB's work has comprised the following:

- obtaining details of the Prospective Financial Information and the process by which this information was prepared
- discussing with the Directors of Alliance the basis on which the Prospective Financial Information were formulated and where possible, at a high level, undertaking evaluation of the information, by reference to past results, available evidence and/or other documentation provided
- reviewing the most recently available monthly management accounts
- considering the relevant industry trends and the position of Alliance / the Project in its industry.

Appendix A - Glossary of terms

Abbreviation	Definition
\$ or AUD	Australian Dollars
ACE	Alliance Craton Explorer Pty Ltd, a wholly owned subsidiary of Alliance
AFS	Available for sale
Alliance Chile	Alliance (Chile) Pty Ltd, a wholly owned subsidiary of Alliance
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
CGT	Capital Gains Tax
Consideration	\$73.975 million offered by Quasar to ACE as consideration for Alliance's interest in the Project
DCF	Discounted Cash Flow
EBIT	Earnings Before Interest and Tax
EBITDA	Earnings Before Interest Tax Depreciation and Amortisation
FME	Future Maintainable Earnings
FMNE	Four Mile Northeast Mineral Resource
FMV	Fair Market Value (underlying standard of value applied in this assessment)
FY	Financial Year ended or ending 30 June
Heathgate	Heathgate Resources Pty Ltd
IER	Independent Expert's Report
ISR	In-situ recovery method of mining
JV	Joint Venture
k	thousand
LR11	ASX Listing Rule 11
M	million
MDA	Mine Development Area
NPAT	Net Profit After Tax
NPV	Net Present Value
Numerco	Numerco Limited, an independent commodity supply agent
Octagonal	Octagonal Resources Limited in which Alliance holds an interest of approximately 8.9%
PPB	PPB Advisory
Proceedings	Legal proceedings in the Supreme Court of South Australia between ACE and Quasar commenced in November 2014
Proposed Capital Return	Alliance Directors' proposal to use majority of the proceeds from the Proposed Transaction to return capital of \$0.12 per share to Shareholders under Section 256B of the Corporations Act 2001
Proposed Transaction	The proposed divestment of Alliance's indirect interest in the Four Mile Uranium Project to Quasar for consideration of \$73.975 million
Quasar	Quasar Resources Pty Ltd

Abbreviation	Definition
RBA	Reserve Bank of Australia
RG111	ASIC Regulatory Guide 111 <i>Content of experts reports</i>
Shareholders	Shareholders of Alliance
SUPB	Start-Up Plan and Program and Budget
the Act	the Corporations Act 2001
The Project	the Four Mile Uranium Project
U ₃ O ₈	Triuranium octoxide
UOC	Uranium oxide concentrate
USD	US Dollars
UxC	Ux Consulting, consulting company in the nuclear energy industry
Valuation Date	30 June 2015
YTD	Year to Date

Appendix B - Lists of sources of information

In preparing this report we have been provided with and considered the following sources of information:

Publicly available information

- audited annual reports of Alliance for years ending 30 June 2012, 30 June 2013 and 30 June 2014
- reviewed interim report of Alliance for half-year ending 31 December 2014
- various Alliance ASX announcements
- various public disclosure documents lodged by Alliance with the ASX
- Alliance's website
- financial information from Capital IQ
- IBISWorld industry report dated May 2015
- uranium price information from UxC and Numerco
- RBA website.

Non-public information

- the Sale and Purchase Agreement, dated 14 July 2015, entered into by ACE in relation to the Proposed Transaction
- discussions with Alliance management
- JV agreement
- Notice of Meeting and Explanatory Statement prepared by Alliance for the general meeting.

Appendix C - Overview of Quasar Resources Pty Ltd

As sourced from Quasar's website:

Quasar is a mining and exploration company based in Adelaide, South Australia. Quasar's affiliated company; Heathgate Resources is the owner and operator of the Beverley Uranium Mine in the Northern Flinders Ranges, South Australia.

Quasar holds exploration tenements in South Australia, Northern Territory and Western Australia. JV partners in some of these tenements include:

- Alliance Craton Explorer Pty Ltd
- Paladin Energy Ltd ('Paladin')
- Adelaide Resources
- Mindax Limited ('Mindax').

The Four Mile deposit represents Quasar's major project where a Mining Lease Application was submitted in May 2008. This project is one of the most significant uranium discoveries made in Australia in the past 25 years. This north Frome Basin discovery, located approximately 8km from the Beverley uranium mine, is in JV with Alliance. Quasar is also in JV with two exploration licences in the northern Frome Basin with Paladin.

In the Gawler Craton Quasar holds eleven exploration tenements as well as being in JV with Adelaide Resources a publicly listed mining company with twelve exploration licenses. The total area of tenements is 13,815km².

In Northern Territory Quasar has been granted four exploration licences and has an additional four applications. These are located in the Curtin Springs, Kulgera and Mt Rennie Areas. The total square kilometres that cover these tenements are 9,786km².

In Western Australia Quasar is in JV with Mindax, a publicly listed mineral exploration company with 16 granted licences and 5 applications in the Avon wheatbelt area. The total area of tenements in the JV is 6,700km²

Appendix D - Valuation methodologies

To estimate the fair market value of the Project, we have considered the common market practice and the valuation approaches recommended by RG 111, that provide guidance in respect of the content of independent expert's reports. The common valuation approaches are as follows:

- market based approach
- income based approach
- asset based approach.

Each approach is appropriate in certain circumstances. The decision as to which approach and specific methodology to apply generally depends on the nature of the company or asset being valued, the methodology most commonly adopted in valuing such companies or assets and the availability of appropriate information.

These approaches are summarised below:

Market based approach

Market based approach estimates the fair market value by considering the market price of transactions in its shares or the market value of comparable companies. The market based approach includes the following methods:

- capitalisation of earnings method
- analysis of a company's recent share trading history
- industry specific methods.

The capitalisation of earnings method estimate the fair market value based on a company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving comparable companies. The capitalisation of maintainable earnings is appropriate where a company's earnings are relatively stable and it is assumed that the business will continue trading as a going concern indefinitely.

The most recent share trading history provides evidence of the market value of the shares of the company where they are publicly traded in an informed market.

Industry specific methods estimate the fair market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods, because they do not account for company specific factors. Industry specific methods are typically used as cross checks in specific industries.

Income based approach

Under the income approach, the discounted cash flow ('DCF') method estimates the fair market value by discounting a company's future cash flows to a net present value using an appropriate discount rate. The DCF method is appropriate where there are long term projections of future cash flows of at least five to ten years and the projections can be made with a reasonable level of confidence. DCF method is typically used where:

- the businesses' earnings are capable of being forecast for a reasonable period (preferably five to 10 years) with reasonable accuracy
- earnings or cash flows are expected to fluctuate significantly from year to year
- the business or asset has a finite life
- the business is in a 'start up' or in early stages of development
- the business has irregular capital expenditure requirements
- the business involves infrastructure projects with major capital expenditure requirements

- the business is currently making losses but is expected to recover.

Asset based approach

Asset based approach estimates the fair market value of a company's shares based on the realisable value of its identifiable net assets. The asset based approach includes the following methods:

- orderly realisation of assets
- liquidation of assets
- net assets on a going concern basis.

The orderly realisation of assets method estimates the fair market value of the net assets by estimating the amount that would be distributed to its shareholders after the payment of all liabilities are satisfied including realisation costs and taxation, assuming that the company is wound up in an orderly manner.

The liquidation of assets method is similar to the orderly realisation of assets method except that the liquidation method assumes that the assets are sold in a shorter timeframe. Since wind up or liquidation of the company may or may not be contemplated, this method in its strictest form may not necessarily be appropriate.

The net assets on a going concern basis estimates the market value of the net assets of the company but does not take into account realisation costs.

The net asset value of a trading will generally provide the lowest possible value for the business. The difference between the value of the company's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The assets based methods are relevant where a company is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding company, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business.

The net realisable assets method is also used as a cross check for the values derived using other methods.

Appendix E - Discount rate calculation

Since the cash flows for the Project are denoted in US dollars, we have computed a US dollar discount rate.

The discount rate used to equate future cash flows to their present value reflects the risk adjusted rate of return demanded by a hypothetical investor.

Discount rates are determined based on the cost of its debt and equity weighted by the proportion of debt and equity used. This is commonly referred to as the weighted average cost of capital ('WACC'). The WACC can be derived using the following formula:

$$\text{WACC} = ((E/V) * K_e) + (((D/V) * K_d) * (1 - t_c))$$

The components of the formula are:

K_e	=	cost of equity capital
K_d	=	cost of debt
t_c	=	corporate tax rate
E/V	=	proportion of company funded by equity
D/V	=	proportion of company funded by deb

Debt to Value Ratio (D/V)

We have assumed a D/V ratio of nil. Accordingly, the discount rate we have applied represents the cost of equity capital for the Project.

The D/V ratio represents the debt funding of the company as a proportion of total value of the company. We assume that since the Project is in its early stage of development, it has no interest bearing debt. This is consistent with our review of selected comparable companies, summarised in the table below (refer Appendix F for further detail on the broadly comparable companies and our D/V analysis).

Analysis of D/V ratios of potentially comparable companies as at 30 June 2015

Time Period	1 Year	2 Year	3 Year	4 Year	5 Year
Average Gearing	Debt-to-Value	Debt-to-Value	Debt-to-Value	Debt-to-Value	Debt-to-Value
Median Excl Outliers	0.0%	0.0%	0.0%	0.0%	0.0%
Mean Excl Outliers	4.8%	3.9%	3.3%	2.2%	1.5%

Source: Capital IQ & PPB Analysis.

Cost of equity capital

The cost of equity (' K_e ') is the rate of return that investors require to make an equity investment in a firm.

We have used the Capital Asset Pricing Model ('CAPM') to estimate the K_e for the Project. CAPM calculates the minimum rate of return that the company must earn on the equity-financed portion of its capital to leave the market price of its shares unchanged. The CAPM is the most widely accepted and used methodology for determining the cost of equity capital.

The cost of equity capital under CAPM is determined using the following formula:

$$K_e = R_f + \beta (R_m - R_f) + a$$

The components of the formula are:

K_e	=	required return on equity
R_f	=	the risk free rate of return
R_m	=	the expected return on the market portfolio
β	=	beta, the systematic risk of a stock which can be objectively measured by the responsiveness of company returns to movements in returns earned on the market portfolio
a	=	specific company risk premium

Each of the components in the above equation is discussed below.

Risk free rate

Since the cash flows are denominated in US dollars, we have used the yield on the 10 year US Government bond on the Valuation Date of 2.35% as a proxy for the risk free rate (' R_f '). The 10 year time period approximates the expected timeframe of ACE's interest in the Project.

The risk free rate compensates the investor for the time value of money and the expected inflation rate over the investment period. The frequently adopted proxy for the risk free rate is the long-term government bond rate.

The table below illustrates that the current yield on 10 year US Government bonds is in line with average yields over the past five years. The bonds include inflation, and therefore provide a proxy for the nominal R_f .

Analysis of US 10 Year Government Bonds as at 30 June 2015

Time Period	Yield (%)
Spot rate	2.35
5 day prior average	2.39
30 day prior average	2.36
60 day prior average	2.28
12 month prior average	2.23
5 year prior average	2.39

Source: US Department of Treasury

Market risk premium

We have selected a Market Risk Premium ('MRP') of 5.0% for US.

The MRP is calculated as the expected return of holding a market portfolio of investments (R_m) less the expected return of holding a risk free asset. It represents the additional risk of the market portfolio above the risk free rate.

Whilst in the short term, MRPs are known to change as investors seek to price the overall equity market, based on the perceived risks associated with it at the time, the long term MRP has generally been found to be quite stable.

Our assessment of the MRP in US is based on various studies on historic returns and market research.

Equity Beta

We have calculated an equity beta range of 1.4 to 1.5.

The beta coefficient is a measure of the expected volatility, and is therefore the risk of a company's stock relative to the market portfolio. The expected beta cannot be observed; therefore the historical beta is usually used as a proxy for the expected beta. A beta can be estimated by regressing the excess returns of the stock against the excess returns of the index representing the market portfolio.

There are significant measurement issues with beta, which means that only limited reliance can be placed on such statistics. Even measurement of historical betas is subject to considerable variation and requires a considerable degree of judgement.

Unlevered and Re-levered Beta

The beta is measured on the cash flows returned to equity holders and is therefore after interest. Accordingly, a firm's beta also reflects its capital structure. Since financial leverage is likely to alter between firms it is generally erroneous to make comparison of betas between firms without regard to each firm's leverage.

The betas can all be de-gearred (or 'de-levered') to remove the impact of leverage. The method is set out below:

$$\beta \text{ (ungeared)} = \beta \text{ (geared)} / (1 + (D/E) \times (1-t))$$

The un-levered or 'asset' betas can then be analysed to determine an appropriate asset beta for the subject of the valuation, and it can be re-gearred (or 're-levered') to reflect the appropriate capital structure. The re-levered betas are also known as 'equity' betas. In the case of our assessment of the Project, because we have assumed debt funding of nil, there is no need to re-lever the asset beta. Accordingly, the equity beta is the same as the asset beta.

Comparable Company Betas

We have selected an asset beta range of 1.4 to 1.5.

To estimate an appropriate beta for the Project, we analysed the historical equity betas and capital structures for selected companies with broadly comparable operations to the Project. Our analysis was over a five year period prior to the Valuation Date and included consideration of:

- the betas for uranium companies generally and, where appropriate, given greater weighting to the companies we considered most comparable to the Project and the longer term betas (eg. five years)
- the differences between the broadly comparable companies and the Project when calculating a specific risk premium (discussed below).

Our comparable company beta analysis is summarised in the table below (refer Appendix F for further detail on the broadly comparable companies and the historic betas).

Analysis of betas of potentially comparable companies as at 30 June 2015

Time Period	1 Year	2 Year	3 Year	4 Year	5 Year
Beta Type	Asset Beta	Asset Beta	Asset Beta	Asset Beta	Asset Beta
Median Excl Outliers	0.85	1.06	1.05	1.42	1.44
Mean Excl Outliers	0.76	0.97	1.03	1.45	1.47

Source: Capital IQ & PPB Analysis.

Specific risk premium (SRP or α or alpha)

The specific risk premium adjusts the cost of equity for company specific factors. The CAPM assumes, amongst other things, that rational investors seek to hold efficient portfolios, that is, portfolios that are fully diversified. One of the major conclusions of the CAPM is that investors do not have regard to specific company risks (often referred to as unsystematic risk).

We have included an alpha range for the Project primarily based on our high level review and assessment of the associated risks relating to relative maturity, size and perceived operating, financial and geographic risks of the Project compared to the potentially comparable listed companies. In addition, we have considered:

- Alliance's lack of influence as a 25% interested party in the JV
- the potential for further delays and uncertainty over the timing of revenue cash flows
- the ongoing costs and uncertainty associated with the litigation between Alliance and Quasar (litigation costs were \$1.5 million in FY15, \$7.7 million in FY14 and \$2.2 million in FY13)
- the lack of transparency in relation to financial and operational performance (eg production levels, sales etc) of the Project.

We have assumed a SRP of 3% to 5%.

Summary

Based on the above factors we have derived a discount rate based on cost of equity of between 13.0% and 15.0%, summarised as follows:

Discount Rate Assessment

	Low	High
Risk Free Rate (Rf)	2.35%	2.35%
Asset Beta (β_U)	1.40	1.50
Debt-to-Equity Ratio	0.00%	0.00%
Geared Beta Estimate (β_L)	1.40	1.50
Equity Risk Premium (MRP)	5.00%	5.00%
Industry Risk Premium	7.00%	7.50%
CAPM Based Cost of Equity	9.35%	9.85%
Specific Risk Premium (SRP)	3.00%	5.00%
Cost of Equity (Ke)	12.35%	14.85%
Selected Discount Rate (rounded)	13.00%	15.00%

Source: Capital IQ, Bloomberg & PPB analysis

Appendix F - Comparable company analysis

Comparable Company Analysis – Debt to Equity Ratios

Time Period	1 Year	2 Year	3 Year	4 Year	5 Year	1 Year	2 Year	3 Year	4 Year	5 Year	5 Year	5 Year
	Debt-to-Equity	Debt-to-Equity	Debt-to-Equity	Debt-to-Equity	Debt-to-Equity	Debt-to-Value	Debt-to-Value	Debt-to-Value	Debt-to-Value	Debt-to-Value	R-Squared	T-Test
End Date	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15
Cameco Corporation	13.9%	13.1%	11.7%	10.5%	9.8%	12.2%	11.6%	10.4%	9.5%	8.9%	0.34	Positive
Denison Mines Corp.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.24	Positive
Paladin Energy Ltd	156.1%	117.2%	94.5%	65.0%	46.3%	61.0%	54.0%	48.6%	39.4%	31.6%	0.15	Positive
Fission Uranium Corp.	0.0%	0.0%	n/a	n/a	n/a	0.0%	0.0%	n/a	n/a	n/a		
Energy Fuels Inc.	3.3%	5.0%	3.6%	1.9%	1.6%	3.2%	4.8%	3.5%	1.9%	1.6%	0.08	Positive
NexGen Energy Ltd.	0.0%	0.0%	n/a	n/a	n/a	0.0%	0.0%	n/a	n/a	n/a		
Energy Resources of Australia Ltd.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.11	Positive
Uranium Energy Corp.	7.9%	3.2%	0.0%	0.0%	0.0%	7.3%	3.1%	0.0%	0.0%	0.0%	0.07	Positive
Peninsula Energy Limited	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.05	Positive
UR-Energy Inc.	26.5%	18.6%	10.4%	4.5%	0.1%	20.9%	15.7%	9.5%	4.3%	0.1%	0.13	Positive
Median	1.6%	1.6%	1.8%	1.0%	0.1%	1.6%	1.6%	1.8%	0.9%	0.1%	0.12	
Mean	20.8%	15.7%	15.0%	10.2%	7.2%	10.5%	8.9%	9.0%	6.9%	5.3%	0.15	
Minimum	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.05	
Maximum	156.1%	117.2%	94.5%	65.0%	46.3%	61.0%	54.0%	48.6%	39.4%	31.6%	0.34	
Median excl outliers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.11	
Mean excl outliers	5.7%	4.4%	3.7%	2.4%	1.6%	4.8%	3.9%	3.3%	2.2%	1.5%	0.12	

Source: Capital IQ & PPB Analysis. Outliers shaded in grey are based on 80% deviation confidence level, R-Squared < 0.05, and negative T-tests with 95.0% confidence

Comparable Company Analysis – Betas

Basis of Beta	Raw Weekly	Raw Weekly	Raw Weekly	Raw Weekly	Raw Weekly	Raw Weekly	Raw Weekly	Raw Weekly	Raw Weekly	Raw Weekly	Raw Weekly	Raw Weekly
Time Period	1 Year	2 Year	3 Year	4 Year	5 Year	1 Year	2 Year	3 Year	4 Year	5 Year	5 Year	5 Year
Beta Type	Equity Beta	Equity Beta	Equity Beta	Equity Beta	Equity Beta	Asset Beta	Asset Beta	Asset Beta	Asset Beta	Asset Beta	R-Squared	T-Test
End Date	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15
Cameco Corporation	1.68	1.39	1.43	1.54	1.54	1.53	1.27	1.31	1.43	1.44	0.34	Positive
Denison Mines Corp.	1.15	1.21	1.42	2.04	2.03	1.15	1.21	1.42	2.04	2.03	0.24	Positive
Paladin Energy Ltd	0.64	0.75	1.40	1.74	1.70	0.31	0.41	0.84	1.20	1.29	0.15	Positive
Fission Uranium Corp.	0.85	1.06				0.85	1.06					
Energy Fuels Inc.	1.22	1.11	1.11	1.72	1.86	1.19	1.07	1.08	1.69	1.84	0.08	Positive
NexGen Energy Ltd.	0.88	1.32				0.88	1.32					
Energy Resources of Australia Ltd.	0.08	0.80	0.81	1.41	1.44	0.08	0.80	0.81	1.41	1.44	0.11	Positive
Uranium Energy Corp.	0.48	0.50	1.13	1.38	1.37	0.46	0.50	1.13	1.38	1.37	0.07	Positive
Peninsula Energy Limited	0.42	0.42	0.28	0.94	1.06	0.42	0.42	0.28	0.94	1.06	0.05	Positive
UR-Energy Inc.	1.00	0.96	1.09	1.61	1.47	0.86	0.86	1.03	1.57	1.47	0.13	Positive
Median	0.86	1.01	1.12	1.58	1.50	0.85	0.96	1.05	1.42	1.44	0.12	
Mean	0.84	0.95	1.08	1.55	1.56	0.77	0.89	0.99	1.46	1.49	0.15	
Minimum	0.08	0.42	0.28	0.94	1.06	0.08	0.41	0.28	0.94	1.06	0.05	
Maximum	1.68	1.39	1.43	2.04	2.03	1.53	1.32	1.42	2.04	2.03	0.34	
Median excl outliers	0.86	1.06	1.13	1.58	1.50	0.85	1.06	1.05	1.42	1.44	0.11	
Mean excl outliers	0.83	1.03	1.20	1.57	1.56	0.76	0.97	1.03	1.45	1.47	0.12	

Source: Capital IQ & PPB Analysis. Outliers shaded in grey are based on 80% deviation confidence level, R-Squared < 0.05, and negative T-tests with 95.0% confidence

Comparable Company Analysis – Company Descriptions

Company	Country	Market Cap (USDm)	Description
Cameco Corporation	Canada	5,669	Cameco Corporation produces and sells uranium worldwide. The company operates through Uranium, Fuel Services, and NUKEM segments. The Uranium segment is involved in the exploration for, mining, and milling of uranium concentrates. Its operating uranium properties include the McArthur River and Key Lake, Cigar Lake, and Rabbit Lake properties located in Saskatchewan, Canada; the Smith Ranch-Highland property located in Wyoming; the Crow Butte property located in Nebraska; and the Inkai property located in Kazakhstan. The Fuel Services segment engages in the refining, conversion, and manufacturing of uranium fuel. Its products include uranium trioxide, uranium hexafluoride, and uranium dioxide. This segment also manufactures and sells fuel bundles, reactor components, and monitoring equipment to CANDU reactors. The NUKEM segment trades in uranium and uranium-related products. Cameco Corporation was founded in 1987 and is headquartered in Saskatoon, Canada.
Denison Mines Corp.	Canada	374	Denison Mines Corp. engages in uranium mining and related activities in Canada, Mali, Namibia, Zambia, and Mongolia. The company is involved in the acquisition, exploration, and development of uranium properties; and extraction, processing, and sale of uranium. Its principal assets include a 22.50% interest in the McClean Lake uranium processing facility and uranium deposits; a 25.17% interest in the Midwest uranium project; and a 60% interest in the Wheeler River project in northern Saskatchewan. The company's principal assets also comprise a 100% interest in Moore Lake project; a 60% interest in Waterbury Lake project; a 58.06% in Hatchet Lake project; a 100% interest in Crawford/Bachman Lake project; a 100% interest in Bell Lake project; and a 30% interest in Mann Lake project located in the Athabasca Basin, northern Saskatchewan. In addition, its principal assets comprise the Mutanga uranium project in southern Zambia; and the Falea uranium, silver, and copper project in Mali, as well as mineral exploration properties in Namibia and Mongolia. In addition, it provides mine decommissioning and decommissioned site monitoring services to third parties. The company was formerly known as International Uranium Corporation and changed its name to Denison Mines Corp. in December 2006. Denison Mines Corp. was founded in 1996 and is headquartered in Toronto, Canada.
Paladin Energy Ltd	Australia	314	Paladin Energy Ltd explores, develops, produces, and sells uranium in Africa. The company operates through Exploration, Namibia, and Malawi segments. It primarily holds interest in the Langer Heinrich mine located in the Namib Naukluft Desert in Namibia. The company serves utilities and other entities primarily located in the United States, Australia, China, Taiwan, and the United Kingdom. The company was formerly known as Paladin Resources Ltd and changed its name to Paladin Energy Ltd in November 2007. Paladin Energy Ltd was incorporated in 1993 and is headquartered in Subiaco, Australia.
Fission Uranium Corp.	Canada	306	Fission Uranium Corp. engages in the exploration, evaluation, and development of uranium properties in Canada. It primarily holds a 100% interest in the Patterson Lake South property, which includes 17 contiguous mineral claims totalling 31,039 hectares located in the Athabasca Basin region of Saskatchewan. The company was incorporated in 2013 and is headquartered in Kelowna, Canada.
Energy Fuels Inc.	Canada	198	Energy Fuels Inc., together with its subsidiaries, engages in the acquisition, exploration, and development of uranium and vanadium properties in the United States. Its principal properties are located in Colorado, Utah, Arizona, Wyoming, and New Mexico. The company was formerly known as Volcanic Metals Exploration Inc. and changed its name to Energy Fuels Inc. in May 2006. Energy Fuels Inc. was incorporated in 1987 and is headquartered in Toronto, Canada.
NexGen Energy Ltd.	Canada	157	NexGen Energy Ltd. engages in the acquisition, exploration, and development of uranium properties in Canada. The company principally holds a 100% interest in the Rook I project that consists of nine mineral claims covering an area of approximately 35,061 hectares; and has an option to acquire a 70% interest in the Radio project covering an area of approximately 847 hectares situated in the Athabasca Basin, Saskatchewan. NexGen Energy Ltd. is headquartered in Vancouver, Canada.
Energy Resources of Australia Ltd.	Australia	155	Energy Resources of Australia Ltd engages in mining, processing, and selling uranium ore deposits. It mines uranium ore and produces drummed uranium oxide at its Ranger mine located in Northern Territory, Australia. The company also holds title to the Jabiluka deposit located north of Ranger. It sells its product to power utilities in Asia, the United States, Europe, and Africa. The company was founded in 1980 and is headquartered in Darwin, Australia. Energy Resources of Australia Ltd is a subsidiary of North Limited.
Uranium Energy Corp.	United States	155	Uranium Energy Corp. engages in the exploration, extraction, and processing of uranium concentrates on projects located in the United States and the Republic of Paraguay. As of July 31, 2014, it had mineral rights in uranium projects located in the states of Arizona, Colorado, New Mexico, Texas, and Wyoming, as well as in the Republic of Paraguay. The company was formerly known as Carlin Gold Inc. and changed its name to Uranium Energy Corp. in January 2005. Uranium Energy Corp. was incorporated in 2003 and is based in Corpus Christi, Texas.

Peninsula Energy Limited	Australia	117	Peninsula Energy Limited explores and develops uranium properties in the United States and South Africa. The company also explores molybdenum and gold ores. It primarily focuses on production at the Lance uranium projects that are located in Wyoming, the United States; and Karoo uranium/molybdenum projects, which are situated in the Republic of South Africa. The company also has interest in the RakiRaki Gold project that is located in Fiji; and other projects situated in Australia. The company was formerly known as Peninsula Minerals Limited and changed its name to Peninsula Energy Limited in November 2010. Peninsula Energy Limited is based in Subiaco, Australia.
UR-Energy Inc.	United States	101	Ur-Energy Inc., a junior mining company, engages in the identification, acquisition, evaluation, exploration, development, and operation of uranium mineral properties. The company holds interests in 14 projects in the United States. Its principal property is the Lost Creek project comprising a total of approximately 2,100 unpatented mining claims and 4 Wyoming mineral leases covering an area of 42,000 acres located in the Great Divide Basin, Wyoming. Ur-Energy Inc. was founded in 2004 and is headquartered in Littleton, Colorado.

Source: *Capital IQ*

Lodge your vote:



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www.investorvote.com.au



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SAMPLEVILLE VIC 3030

Proxy Form

XX



Vote online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 3.00pm (AEST) Wednesday 9 September 2015

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1

Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Alliance Resources Limited hereby appoint



the Chairman
of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Extraordinary General Meeting of Alliance Resources Limited to be held at HWL Ebsworth Lawyers, Level 26, 530 Collins Street, Melbourne on Friday, 11 September 2015 at 3.00pm (AEST) and at any adjournment or postponement of that Meeting.

STEP 2

Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Item 1 Disposal of main undertaking	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Return of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

AGS

999999A

Computershare +

Return your information:



Online:
www.investorcentre.com/contact



By Mail:
Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne
Victoria 3001 Australia

Enquiries:

(within Australia) 1300 850 505
(international) +61 3 9415 4000

Securityholder Reference Number (SRN)



I 9999999999

I ND

Use a **black** pen.
Print in **CAPITAL** letters
inside the grey areas.

A B C

1 2 3

For your security keep your SRN/HIN confidential.

Direct Credit

A

Request for direct crediting of dividends into an Australian account

BSB number (eg. 063000)

Account number

Name in which account is held (eg. JOHN SMITH)

Name of Australian bank or financial institution

Name of branch or suburb or town

Type of account (eg. cheque, savings, etc.)



DO NOT USE YOUR CREDIT CARD NUMBER

If you are unsure of your BSB number or account number, please check with your bank, building society or credit union.

B

Request for direct crediting of dividends into a New Zealand account

Bank Code

Branch

Account Number

Suffix

Name of New Zealand bank or financial institution

Name in which account is held (e.g. JOHN SMITH)

C

Sign Here - This section must be signed for your instructions to be executed.

I/We authorise you to act in accordance with my/our instructions set out above. I/We acknowledge that these instructions supersede and have priority over any previous instructions relating to payments of dividends to which I/we am/are entitled to be paid.

Individual or Securityholder 1

Director

Securityholder 2

Director/Company Secretary

Securityholder 3

Sole Director and Sole Company Secretary

Date - Day

Month

Year

Note: When signed under Power of Attorney, the attorney states that they have not received a notice of revocation. Computershare Investor Services Pty Limited needs to sight a certified copy of the Power of Attorney.



How to complete this form

A

Request for direct crediting of dividends into an Australian account

Complete this section if you want your dividends paid directly into your nominated Australian bank, credit union or building society account. Until you advise otherwise, all future dividends will be paid into the nominated account.

IMPORTANT: DO NOT USE THE NUMBER QUOTED ON YOUR CREDIT CARD

Neither the company nor the registry will be responsible for any delays in crediting dividends to your nominated account as a result of transaction procedures or errors by any financial institution.

This instruction only applies to the specific holding identified by the SRN/HIN and the name appearing on the front of this form.

B

Request for direct crediting of dividends into a New Zealand account

Complete this section if you want your dividends paid directly into your nominated New Zealand bank, credit union or building society account. Until you advise otherwise, all future dividends will be paid into the nominated account.

IMPORTANT: DO NOT USE THE NUMBER QUOTED ON YOUR CREDIT CARD

Neither the company nor the registry will be responsible for any delays in crediting dividends to your nominated account as a result of transaction procedures or errors by any financial institution.

This instruction only applies to the specific holding identified by the SRN/HIN and the name appearing on the front of this form.

C

Signature(s)

If you have chosen to have your dividends paid directly into your nominated Australian/New Zealand bank, credit union or building society account and you have completed Section A or Section B, you must sign this form as follows in the spaces provided:-

Joint holding: where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

FP 802

AGS

Please return the completed form to:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia

