



Alliance Resources Limited
ABN 38 063 293 336

Half-year Financial Report
31 December 2012

Alliance Resources Limited
Corporate directory
31 December 2012

Directors	John SF Dunlop (Chairman) Stephen F Johnston (Managing Director) Ian J Gandel (Director) Anthony D Lethlean (Director)
Company secretary	Robert P Tolliday
Registered office	Suite 3 51-55 City Road Southbank Victoria 3006
Principal place of business	Suite 3 51-55 City Road Southbank Victoria 3006 Telephone +61 3 9697 9090 Fax +61 3 9697 9091
Share register	Computershare Investor Services GPO Box 2975 Melbourne Victoria 3001
Auditor	BDO East Coast Partnership Level 14 140 William Street Melbourne Victoria 3000
Stock exchange listing	Alliance Resources Limited shares are listed on the Australian Securities Exchange (ASX code: AGS)
Website	www.allianceresources.com.au info@allianceresources.com.au

Alliance Resources Limited
Directors' report
31 December 2012

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Alliance Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the half-year ended 31 December 2012.

Directors

The following persons were directors of Alliance Resources Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

John Stuart Ferguson Dunlop
Stephen Frederick Johnston
Ian Jeffrey Gandel
Anthony Dean Lethlean

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- the development and, ultimately, production from its interest in the Four Mile Uranium Project in South Australia; and
- in realising value from its extensive exploration interests.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$2,325,402 (31 December 2011: \$1,891,421).

During the period, Alliance Resources Limited released its Annual Report for the year to 30 June 2012, with a Review of Operations to 27 September 2012. It also released Quarterly Activities Reports to 30 September 2012 and 31 December 2012, with significant events as follows:

Corporate

A General Meeting of shareholders was held on 15 August 2012 to vote on a resolution to approve the issue of deferred share rights to ITOCHU Corporation. The motion was carried as an ordinary resolution on a show of hands.

Background - On 23 May 2012 Alliance Resources Ltd (Alliance) announced that the company and ITOCHU Corporation had agreed to form a strategic alliance. As part of the alliance ITOCHU Corporation, through a wholly owned subsidiary, will have the right to subscribe for 59,735,223 shares in Alliance or 14.9% of the issued share capital in Alliance Craton Explorer Pty Ltd (ACE) (a wholly owned subsidiary of Alliance) and, subject to exercising those rights, an option to acquire a further 25.1% in ACE (Transaction). A summary of the material terms of the Transaction were included in the Explanatory Memorandum to shareholders which accompanied the notice of general meeting dispatched on 17 July 2012.

Alliance Resources Limited
Directors' report
31 December 2012

Four Mile Uranium Project (Alliance 25%)

The Four Mile Project area is located 550 kilometres north of Adelaide in South Australia. Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE) is the registered holder of 25% of ML6402 and EL5017. Quasar Resources Pty Ltd (Quasar) is the registered holder of the remaining 75% and is the manager of the Project.

During the half year, Alliance announced that a decision to recommence development of the Four Mile Project was made with Quasar voting its 75% interest in favour and ACE voting its 25% interest against Quasar's proposed Start-Up Plan and Program and Budget.

The Start-Up Plan and Program and Budget proposed:

- Uranium capture at Heathgate Resources Pty Ltd's (Heathgate's) Pannikan satellite plant with elution, precipitation, drying and packing at Heathgate's Beverley processing plant;
- In-situ recovery (ISR) mining operations commencing at Four Mile East in Q2 2013 and at Four Mile West in Q4 2013; and
- First uranium sales are scheduled for Q3 2013.

Quasar's Program and Budget is for a 16 month period and included the following production guidance based on a series of assumptions:

- Production of 2.128 million lb of uranium oxide (sales of 1.306 million lb) over 10 months;
- Cumulative cash expenditure (capital and operating) to end 2013 of A\$97.8 million (ACE share A\$24.45 million);
- Cash operating costs were budgeted to be A\$25.46 (1) per lb (if wellfield development costs are excluded) or A\$40.33 (2) per lb (inclusive of wellfield development costs) uranium oxide;
- Sale prices were forecasted to be US\$62.58 per lb uranium oxide for 2013 (3); and
- A\$12 million of regional delineation drilling (4).

Quasar has described the Start-Up Plan and Program and Budget as a staged commencement of mining operations, the purpose of which is to permit actual production rates to be considered before full-scale production facilities are constructed.

Notwithstanding this decision to recommence development, ACE still considers the construction of an appropriately sized stand-alone plant at Four Mile to produce a better outcome for ACE.

Quasar reported that scheduling of the Program and Budget (as set out above) is being revised, since the Program and Budget was adopted at a later point in time than Quasar had originally contemplated.

Summary of Legal Proceedings

Misleading and deceptive conduct

- On 12 July 2010, ACE issued proceedings in the Federal Court of Australia against Quasar and Heathgate seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile Project from Quasar arising from Quasar's and Heathgate's failure to disclose to ACE information concerning the prospectivity of part of that tenement. ACE contends that Quasar engaged in misleading or deceptive conduct in contravention of section 52 of the Trade Practices Act 1974 (Cth) and section 9 of the Fair Trading Act 1999 (Vic) and that Heathgate assisted or participated in the contraventions committed.
- ACE also contends that Quasar, with the assistance or participation of Heathgate, breached its obligations under the joint venture agreement, its fiduciary obligations owed to ACE and misused confidential information when Quasar sought, and obtained, a one-year extension of the earn-in period and, subsequently, the transfer of a 75% interest in the exploration licence.
- As a result of information which became available during the discovery process, ACE is in the process of amending its statement of claim to particularise the various allegations against Quasar and Heathgate.

Pre-action Discovery

- On 16 November 2009, ACE issued proceedings in the Federal Court of Australia against Quasar and Heathgate for an order, by way of pre-action discovery, giving ACE access to books, records and agreements pertaining to the Four Mile Project.
- On 9 October 2009 ACE formally requested Quasar and Heathgate to provide ACE with access to project documentation. While Quasar agreed to provide copies of some records, ACE considered its response to be inadequate. Heathgate, which Alliance believes holds project documents in its capacity as "proposed mine manager", elected not to respond to the request.
- On 26 March 2012 orders were made refusing ACE's application. Reasons were handed down on 4 April 2012.
- On 1 May 2012 ACE appealed that part of the decision dismissing ACE's application for disclosure of documents on the basis that they are jointly owned having been prepared by Quasar, as manager, on behalf of both itself and ACE. The appeal was heard on 19 and 20 November 2012 with the decision reserved.

Footnotes

- (1) Excludes regional delineation drilling costs.
- (2) Excludes regional delineation drilling costs.
- (3) Forecast as at October 2012 reflecting third party forecasts of the spot uranium oxide price for 2013.
- (4) ACE and Quasar disagree about the nature of the regional delineation drilling. Quasar asserts it is a mining development cost for which ACE must pay its share. ACE asserts it is an exploration cost for which Quasar must pay in full.

Events after the reporting period

No matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Alliance Resources Limited
Directors' report
31 December 2012

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "John Dunlop". The signature is written in a cursive, flowing style.

John Dunlop
Chairman

14 March 2013
Melbourne

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF ALLIANCE RESOURCES LIMITED

As lead auditor for the review of Alliance Resources Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Alliance Resources Limited and the entities it controlled during the period.



David Garvey
Partner

BDO East Coast Partnership

Melbourne, 14 March 2013

Alliance Resources Limited
Financial report
31 December 2012

Contents

	Page
Financial report	
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the financial statements	12
Directors' declaration	14
Independent auditor's report to the members of Alliance Resources Limited	15

General information

The financial report covers Alliance Resources Limited as a consolidated entity consisting of Alliance Resources Limited and the entities it controlled. The financial report is presented in Australian dollars, which is Alliance Resources Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Alliance Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office
Suite 3
51-55 City Road
Southbank Victoria 3006

Principal place of business
Suite 3
51-55 City Road
Southbank Victoria 3006
Telephone +61 3 9697 9090

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 14 March 2013. The directors have the power to amend and reissue the financial report.

Alliance Resources Limited
Statement of comprehensive income
For the half-year ended 31 December 2012

		Consolidated	
		31	31
	Note	December	December
		2012	2011
		\$	\$
Revenue	3	653,359	829,932
Expenses			
Depreciation and amortisation expense		(6,894)	(11,282)
Share of loss of associate and joint venture accounted for using the equity method		(320,104)	(275,292)
Expense of share options granted		-	(8,983)
Occupancy expenses		(34,508)	(28,662)
Administration expenses		(1,629,389)	(970,125)
Legal costs		(872,444)	(1,297,759)
Director fees'		(115,422)	(129,250)
Loss before income tax expense		(2,325,402)	(1,891,421)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Alliance Resources Limited		(2,325,402)	(1,891,421)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Alliance Resources Limited		<u>(2,325,402)</u>	<u>(1,891,421)</u>
		Cents	Cents
Basic earnings per share		(0.68)	(0.55)
Diluted earnings per share		(0.68)	(0.55)

Alliance Resources Limited
Statement of financial position
As at 31 December 2012

	Consolidated	
	31	30
	December	June
	2012	2012
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	27,909,609	31,091,394
Trade and other receivables	112,954	106,074
Other	101,202	48,475
Total current assets	<u>28,123,765</u>	<u>31,245,943</u>
Non-current assets		
Receivables	50,000	50,000
Investments accounted for using the equity method	14,291,571	14,434,547
Available-for-sale financial assets	6,680	6,680
Property, plant and equipment	19,627	26,521
Exploration and evaluation	3,720,951	3,073,883
Total non-current assets	<u>18,088,829</u>	<u>17,591,631</u>
Total assets	<u>46,212,594</u>	<u>48,837,574</u>
Liabilities		
Current liabilities		
Trade and other payables	215,578	517,594
Employee benefits	69,201	69,496
Provisions	60,000	60,000
Total current liabilities	<u>344,779</u>	<u>647,090</u>
Non-current liabilities		
Employee benefits	52,038	49,305
Total non-current liabilities	<u>52,038</u>	<u>49,305</u>
Total liabilities	<u>396,817</u>	<u>696,395</u>
Net assets	<u>45,815,777</u>	<u>48,141,179</u>
Equity		
Issued capital	98,918,022	98,918,022
Reserves	53,900	53,900
Accumulated losses	<u>(53,156,145)</u>	<u>(50,830,743)</u>
Total equity	<u>45,815,777</u>	<u>48,141,179</u>

Alliance Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2012

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2011	98,918,022	-	(47,023,113)	51,894,909
Loss after income tax expense for the half-year	-	-	(1,891,421)	(1,891,421)
Other comprehensive income for the half-year, net of tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the half-year	-	-	(1,891,421)	(1,891,421)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	8,983	-	8,983
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2011	<u>98,918,022</u>	<u>8,983</u>	<u>(48,914,534)</u>	<u>50,012,471</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Consolidated				
Balance at 1 July 2012	98,918,022	53,900	(50,830,743)	48,141,179
Loss after income tax expense for the half-year	-	-	(2,325,402)	(2,325,402)
Other comprehensive income for the half-year, net of tax	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the half-year	-	-	(2,325,402)	(2,325,402)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2012	<u>98,918,022</u>	<u>53,900</u>	<u>(53,156,145)</u>	<u>45,815,777</u>

Alliance Resources Limited
Statement of cash flows
For the half-year ended 31 December 2012

	Consolidated	
	31	31
	December	December
	2012	2011
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(2,980,672)	(2,204,840)
Interest received	<u>653,537</u>	<u>1,070,697</u>
Net cash used in operating activities	<u>(2,327,135)</u>	<u>(1,134,143)</u>
Cash flows from investing activities		
Payments for exploration and JV costs	<u>(854,650)</u>	<u>(293,994)</u>
Net cash used in investing activities	<u>(854,650)</u>	<u>(293,994)</u>
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(3,181,785)	(1,428,137)
Cash and cash equivalents at the beginning of the financial half-year	<u>31,091,394</u>	<u>34,913,550</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>27,909,609</u></u>	<u><u>33,485,413</u></u>

Alliance Resources Limited
Notes to the financial statements
31 December 2012

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

The consolidated entity has adopted AASB 8 Operating Segments whereby segment information is presented using a 'management approach'. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The consolidated entity operates predominately in one geographical location. The consolidated entity does not have any operating segments with discrete financial information. The consolidated entity does not have any customers, and all the consolidated entity's assets and liabilities are located within Australia and Chile.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cashflows. As a result no reconciliation is required because the information as presented is what is used by the Board of Directors to make strategic decision including assessing performance and in determining the allocation of resources.

Note 3. Revenue

	Consolidated	
	31	31
	December	December
	2012	2011
	\$	\$
Interest	<u>653,359</u>	<u>829,932</u>

Note 4. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Alliance Resources Limited
Notes to the financial statements
31 December 2012

Note 5. ITOCHU Transaction

The transaction between the company and ITOCHU Corporation, the details of which are as disclosed in the Directors' report, gave rise to the issuance of Deferred Share Rights and Options. The issued financial instruments are considered to be within scope of Australian Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement.

However, the recognition of the financial instruments has not been made as a valuation cannot be reliably estimated as the assumptions underpinning the valuation given the pre-conditions to exercise which principally relate to matters before the courts.

Note 6. Events after the reporting period

No matter or circumstance has arisen since 31 December 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Alliance Resources Limited
Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



John Dunlop
Chairman

14 March 2013
Melbourne



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Level 14, 140 William St
Melbourne VIC 3000
GPO Box 5099 Melbourne VIC 3001
AUSTRALIA

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Alliance Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alliance Resources Limited, which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Alliance Resources Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alliance Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Alliance Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alliance Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

BDO
A handwritten signature in black ink that reads 'David Garvey'. The signature is written in a cursive style with a large, sweeping initial 'D'.

David Garvey

Partner

Melbourne, 14 March 2013