



Alliance Resources Limited

ABN 38 063 293 336

Interim Report - 31 December 2013

Alliance Resources Limited
Corporate directory
31 December 2013

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 Phone +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 2013

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 2013.

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 \$2,231,823 (31 December 2012: \$2,325,402).

During the period, Alliance Resources Limited released its Annual Report for the year to 30 June 2013. It also released Quarterly Activities Reports to 30 September 2013 and 31 December 2013, with significant events as follows:

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 the following:

- The Program for Environment Protection and Rehabilitation (PEPR) for ML 6402 was approved as PEPR No. PEPR2013/014 in accordance with Section 70B(5) of the Mining Act 1971 (SA).
- The Environment Protection Authority South Australia approved a Licence for Mining and Mineral Processing, including Radiation Management and Radioactive Waste Management plans.
- The Four Mile Uranium Mine Monitoring, Mine Closure and Community Engagement Plans, as required under the Commonwealth Environment Protection and Biodiversity Conservation Act, were approved. This was the final regulatory approval for the Four Mile Uranium Mine.
- Construction at the Four Mile Project commenced.
- The discovery of high grade equivalent uranium intersections from a drilling program over a new area located 1.2 kilometres to the northeast of the Four Mile East uranium deposit (Four Mile Northeast). Uranium mineralisation was intersected over a strike length of approximately 1100 metres and a maximum width of 800 metres. Mineralisation remains open to the northeast (see ASX announcements dated 19 December 2013 and 17 January 2014 for details of the exploration results and competent person's consent).
- The mineral resource estimate for the Four Mile Project was announced in accordance with the JORC Code (2012 Edition). There has been no material change to the mineral resource estimate since the ASX announcement dated 27 January 2010 (see ASX announcement dated 20 December 2013 for details of the mineral resource estimate and competent persons' consents).
- ACE paid \$1,212,921 towards the cost of development of the Four Mile Project (\$17,504,012 project-to-date). ACE continued to dispute the validity of the cash calls made by Quasar and, in making payments, reserved all of its rights. Payments were made to preserve ACE's participatory rights in the Four Mile Project.

Events after the reporting period

Events after the reporting period of the consolidated entity include:

(i) On 31 January 2014 Alliance announced that Quasar, with ACE dissenting, approved the Four Mile (ML6402) Revised Start-Up Plan and Program and Budget on 29 January 2014. The Revised Start-Up Plan and Program and Budget includes production guidance relating to the current and forthcoming year based on a series of assumptions more fully set out in those documents and summarised below. The Start-Up Plan comprises:

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

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

- Production of 1.886 million pounds (lb) of uranium oxide and sales of 1.5 million lb uranium oxide.
- Cash expenditure (Jan-Dec 2014) of \$76.9 million (ACE's share \$19.2 million). Total expenditure is less than the previous budget due mainly to deferral of Four Mile West (FMW) capital costs associated with placing the first FMW wellfield into production. Allowing for expenditure to date, total cash expenditure for Nov 2012 to Dec 2014 is \$87.7 million (ACE's share \$21.9 million), including resource delineation drilling of \$12 million.
- Cash operating costs (Nov 2012 to Dec 2014), includes mining, processing, shipping, marketing and royalties) of \$31.48 per lb uranium oxide with development costs of \$8.65 per lb uranium oxide (includes drilling, wellfield construction, infrastructure and engineering but excludes resource delineation drilling). Total costs (Nov 2012 to Dec 2014) are \$40.13 per lb uranium oxide.
- Rehabilitation costs are covered separately by bonds put up by Quasar (as to 75%) and ACE (as to 25%).
- Sale prices and AUD/USD exchange rate are forecast to be US\$44.42 per lb uranium oxide and 0.9 respectively (A\$49.36 per lb uranium oxide).
- Total project revenue of \$74.0 million (Nov 2012 to Dec 2014).
- Cashflow (Nov 2012 to Dec 2014) is negative \$13.5 million (ACE share negative \$3.4 million). However, because sales lag production, ACE anticipates positive cashflow in the first half of 2015.

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

(ii) On 6 February 2014 Alliance announced further uranium intercepts from drilling at Four Mile Northeast, which have increased the strike length of uranium mineralisation to approximately 2200 metres, an increase of 1100 metres over the previous announcement. See ASX announcement dated 6 February 2014 for details of the exploration results and competent person's consent.

(iii) On 18 February 2014 Alliance announced an Exploration Target for the Four Mile Northeast (FMNE) uranium prospect of 8 to 18 million tonnes of mineralisation at a grade range 0.20% to 0.24% uranium oxide (U₃O₈), containing 19,000 to 35,500 tonnes U₃O₈ (41 to 78 million lb U₃O₈). The potential quantity and grade is conceptual in nature. There has been insufficient exploration drilling to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource. The Exploration Target was estimated in order to provide the market with an assessment of the potential scale of the FMNE deposit using the Exploration Results from FMNE to 6 February 2014. See ASX announcements dated 18 February 2014 for details of the exploration results and competent person's consent.

Alliance Resources Limited
Directors' report
31 December 2013

(iv) On 18 February 2014 Alliance announced a Correcting Statement to its announcement dated 18 February 2014 entitled 'EXPLORATION TARGET Four Mile Northeast Uranium Prospect' relating to the Competent Person Statement. See ASX announcements dated 18 February 2014 for details of the exploration results and competent person's consent.

(v) On 21 February 2014 Alliance announced the status of engineering and construction at the Four Mile Uranium Project. See ASX announcement dated 21 February 2014 for further details.

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 those contraventions committed by Quasar.

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.

At a directions hearing held on 16 October 2013 the matter was set down for trial commencing 30 June 2014. The trial is expected to run for 5 weeks.

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 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 and the decision reserved.

On 12 March 2013 ACE's appeal was dismissed with costs awarded to Quasar and Heathgate.

On 9 April 2013 ACE lodged an application for special leave to appeal to the High Court of Australia. The application was heard on 11 September 2013 and refused with costs.

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.

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.

Alliance Resources Limited
Directors' report
31 December 2013

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



John Dunlop
Chairman

13 March 2014
Melbourne

DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF ALLIANCE RESOURCES LIMITED

As lead auditor for the review of Alliance Resources Limited for the half-year ended 31 December 2013, 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.



James Mooney
Partner

BDO East Coast Partnership

Melbourne, 13 March 2014

Alliance Resources Limited
Financial report
31 December 2013

Contents

Statement of profit or loss and other 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	16
Independent auditor's report to the members of Alliance Resources Limited	17

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 12 March 2014. The Directors have the power to amend and reissue the financial report.

Alliance Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2013

		Consolidated	
		31	31
	Note	December	December
		2013	2012
		\$	\$
Revenue	3	446,976	653,359
Expenses			
Corporate Administration expense		(225,664)	(180,566)
Employee benefits expense		(159,338)	(68,329)
Depreciation and amortisation expense		(3,569)	(6,894)
Share of loss of associate and joint venture accounted for using the equity method		(564,235)	(320,104)
Tenement Costs		(63,308)	-
Administration expense		(226,843)	(1,260,968)
Rehabilitation		(5,057)	-
Marketing		(12,831)	(25,704)
Occupancy expenses		(33,091)	(34,508)
Legal costs		(1,180,949)	(872,444)
Director fees		(139,480)	(115,422)
Company secretarial		(64,434)	(93,822)
Loss before income tax expense		(2,231,823)	(2,325,402)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Alliance Resources Limited		(2,231,823)	(2,325,402)
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		(2,231,823)	(2,325,402)
		Cents	Cents
Basic earnings per share	8	(0.65)	(0.68)
Diluted earnings per share	8	(0.65)	(0.68)

Alliance Resources Limited
Statement of financial position
As at 31 December 2013

	Note	Consolidated 31 December 2013 \$	30 June 2013 \$
Assets			
Current assets			
Cash and cash equivalents		21,783,999	25,358,979
Trade and other receivables		101,938	159,755
Other		88,521	47,924
Total current assets		<u>21,974,458</u>	<u>25,566,658</u>
Non-current assets			
Receivables	4	865,750	50,000
Investments accounted for using the equity method		15,310,714	14,899,123
Available-for-sale financial assets		5,726	5,726
Property, plant and equipment		10,824	14,393
Exploration and evaluation		2,363,471	2,136,579
Total non-current assets		<u>18,556,485</u>	<u>17,105,821</u>
Total assets		<u>40,530,943</u>	<u>42,672,479</u>
Liabilities			
Current liabilities			
Trade and other payables		896,824	806,464
Employee benefits		67,538	73,864
Total current liabilities		<u>964,362</u>	<u>880,328</u>
Non-current liabilities			
Employee benefits		79,836	73,583
Provisions		865,750	865,750
Total non-current liabilities		<u>945,586</u>	<u>939,333</u>
Total liabilities		<u>1,909,948</u>	<u>1,819,661</u>
Net assets		<u>38,620,995</u>	<u>40,852,818</u>
Equity			
Contributed equity		98,918,022	98,918,022
Reserves		53,900	53,900
Accumulated losses		(60,350,927)	(58,119,104)
Total equity		<u>38,620,995</u>	<u>40,852,818</u>

Alliance Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2013

Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2012	98,918,022	(50,830,743)	53,900	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	-	-	-	-
Total comprehensive income for the half-year	-	(2,325,402)	-	(2,325,402)
Balance at 31 December 2012	<u>98,918,022</u>	<u>(53,156,145)</u>	<u>53,900</u>	<u>45,815,777</u>
Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2013	98,918,022	(58,119,104)	53,900	40,852,818
Loss after income tax expense for the half-year	-	(2,231,823)	-	(2,231,823)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(2,231,823)	-	(2,231,823)
Balance at 31 December 2013	<u>98,918,022</u>	<u>(60,350,927)</u>	<u>53,900</u>	<u>38,620,995</u>

Alliance Resources Limited
Statement of cash flows
For the half-year ended 31 December 2013

	Consolidated	
	31	31
	December	December
	2013	2012
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(2,819,238)	(2,980,672)
Interest received	446,976	653,537
Net cash used in operating activities	<u>(2,372,262)</u>	<u>(2,327,135)</u>
Cash flows from investing activities		
Payments for security deposits	(815,750)	-
Payments for exploration and JV costs	(386,968)	(854,650)
Net cash used in investing activities	<u>(1,202,718)</u>	<u>(854,650)</u>
Cash flows from financing activities		
Net cash from financing activities	<u>-</u>	<u>-</u>
Net decrease in cash and cash equivalents	(3,574,980)	(3,181,785)
Cash and cash equivalents at the beginning of the financial half-year	<u>25,358,979</u>	<u>31,091,394</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>21,783,999</u></u>	<u><u>27,909,609</u></u>

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 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 2013 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, unless otherwise stated.

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 profit or loss and other 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 decisions including assessing performance and in determining the allocation of resources.

Note 3. Revenue

	Consolidated	
	31	31
	December	December
	2013	2012
	\$	\$
Interest	446,976	653,359

Note 4. Non-current assets - receivables

	Consolidated	
	31	30
	December	June
	2013	2013
	\$	\$
Term Deposits	865,750	50,000

Note 4. Non-current assets - receivables (continued)

ACE received a letter from DMITRE dated 19 August 2013 requiring a bond to be lodged in the sum of \$3,263,000 within 30 days on Mineral Lease 6402 - Quasar (75%) and ACE (25%). ACE's share of this bond is \$815,750. The bond was paid on the 10 September 2013.

Note 5. Equity - dividends

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

Note 6. ITOCHU Transaction

The transaction between the company and ITOCHU Corporation, the details of which are as disclosed in the Director's report in the 2013 Annual 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 again 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 7. Events after the reporting period

Events after the reporting period of the consolidated entity include:

(i) On 31 January 2014 Alliance announced that Quasar, with ACE dissenting, approved the Four Mile (ML6402) Revised Start-Up Plan and Program and Budget on 29 January 2014. The Revised Start-Up Plan and Program and Budget includes production guidance relating to the current and forthcoming year based on a series of assumptions more fully set out in those documents and summarised below. The Start-Up Plan comprises:

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

Note 7. Events after the reporting period (continued)

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

- Production of 1.886 million pounds (lb) of uranium oxide and sales of 1.5 million lb uranium oxide.
- Cash expenditure (Jan-Dec 2014) of \$76.9 million (ACE's share \$19.2 million). Total expenditure is less than the previous budget due mainly to deferral of Four Mile West (FMW) capital costs associated with placing the first FMW wellfield into production. Allowing for expenditure to date, total cash expenditure for Nov 2012 to Dec 2014 is \$87.7 million (ACE's share \$21.9 million), including resource delineation drilling of \$12 million.
- Cash operating costs (Nov 2012 to Dec 2014), includes mining, processing, shipping, marketing and royalties) of \$31.48 per lb uranium oxide with development costs of \$8.65 per lb uranium oxide (includes drilling, wellfield construction, infrastructure and engineering but excludes resource delineation drilling). Total costs (Nov 2012 to Dec 2014) are \$40.13 per lb uranium oxide.
- Rehabilitation costs are covered separately by bonds put up by Quasar (as to 75%) and ACE (as to 25%).
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- Total project revenue of \$74.0 million (Nov 2012 to Dec 2014).
- Cashflow (Nov 2012 to Dec 2014) is negative \$13.5 million (ACE share negative \$3.4 million). However, because sales lag production, ACE anticipates positive cashflow in the first half of 2015.

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

(ii) On 6 February 2014 Alliance announced further uranium intercepts from drilling at Four Mile Northeast, which have increased the strike length of uranium mineralisation to approximately 2200 metres, an increase of 1100 metres over the previous announcement. See ASX announcement dated 6 February 2014 for details of the exploration results and competent person's consent.

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(v) On 21 February 2014 Alliance announced the status of engineering and construction at the Four Mile Uranium Project. See ASX announcement dated 21 February 2014 for further details.

No other matter or circumstance has arisen since 31 December 2013 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
Notes to the financial statements
31 December 2013

Note 8. Earnings per share

	Consolidated	
	31	31
	December	December
	2013	2012
	\$	\$
Loss after income tax attributable to the owners of Alliance Resources Limited	<u>(2,231,823)</u>	<u>(2,325,402)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>341,172,309</u>	<u>341,172,309</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>341,172,309</u>	<u>341,172,309</u>
	Cents	Cents
Basic earnings per share	(0.65)	(0.68)
Diluted earnings per share	(0.65)	(0.68)

Alliance Resources Limited
Directors' declaration
31 December 2013

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 2013 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)(a) of the Corporations Act 2001.

On behalf of the Directors



John Dunlop
Chairman

13 March 2014
Melbourne

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 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 the company 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 company 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 2013 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 2013 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



James Mooney
Partner

Melbourne, 13 March 2014