



ALLIANCE RESOURCES LIMITED

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2008

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ABN 38 063 293 336

DIRECTORS

John S F Dunlop
Chairman

Patrick Mutz
Managing Director

Ian J Gandel
Director

Tony D Lethlean
Director

MANAGEMENT

Steve F Johnston
General Manager

Ian C Pamensky
Manager Finance & Company Secretary

Jason Fothergill
Maldon Site Manager

PRINCIPAL & REGISTERED OFFICE

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AUDITORS

PKF
Chartered Accountants
Level 14
140 William Street
Melbourne, Vic 3000

SHARE REGISTRY

Computershare Investor Services
GPO Box 2975
Melbourne, Vic 3001
Telephone 1300 850 505
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ASX CODE

AGS

INVESTOR INFORMATION

Alliance Resources is a publicly listed Australian resource company focused on the development and imminent production from its joint venture interest in the Four Mile Uranium Project in South Australia, and in realising value from its extensive exploration interests.

The directors present their report together with the consolidated interim financial report for the half-year ended 31 December 2008 and the review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the half-year are:

Name	Period of directorship
Non-executive John Stuart Ferguson Dunlop <i>Chairman</i>	Appointed 30 November 1994
Ian Jeffery Gandel <i>Non Executive Director</i>	Appointed 15 October 2003
Anthony Dean Lethlean <i>Non Executive Director</i>	Appointed 15 October 2003
Executive Patrick Mutz <i>Managing Director</i>	Appointed 11 August 2008 ⁽¹⁾

Note:

(1) Mr Patrick Mutz was appointed a Non-executive director on 11 August 2008. On 1 December 2008 Patrick took up the position of Managing Director on a full time basis.

RESULTS

The loss for the half-year after income tax was \$19,569,123 (2007: Loss - \$3,027,324).

REVIEW OF OPERATIONS

During the period, Alliance Resources Limited released its Annual Report for the year to 30 June 2008, with a Review of Operations to 29 September 2008. It also released Quarterly Activities Reports to 30 September 2008 and 31 December 2008, with significant events as follows:

Corporate

- Mr Patrick Mutz was appointed Non Executive Director on 11 August 2008 and employed as Managing Director of Alliance on 1 December 2008;
- In January and February 2009 Alliance has made its first two payments totaling \$1,412,070 towards the cost of development of uranium mining at Four Mile East; and
- Cash reserves at 31 December 2008 were \$15.6 million.

Four Mile Uranium-Copper-Gold Joint Venture (Alliance 25% and free carried during exploration)

The Four Mile Joint Venture Area is located 550 kilometres north of Adelaide in South Australia. As of 22 October 2008, Alliance contributes 25% towards the cost of development within the Mine Development Area (MDA) and is free carried for exploration outside the MDA.

Quasar Resources Pty Ltd (Quasar) holds a 75% interest in the joint venture and is the manager of the project. Quasar is an affiliate of Heathgate Resources Pty Ltd, which owns and operates the Beverley Uranium Mine located 8 kilometres southeast of the Four Mile Uranium Deposit,

The Four Mile Uranium Deposit consist of two mineralised zones. Four Mile West has an Inferred Mineral Resource of 32 Mlb U₃O₈ in accordance with the JORC Code. Estimation of the mineral resource for Four Mile East is in progress.

During the period, Alliance announced the following significant matters:

- Quasar notifies Alliance of its decision to mine, including delivery of a feasibility study recommending development of the Four Mile Project using In-Situ Recovery (ISR) methods as the optimum basis for development.
- Uranium concentrate production proposed to commence in January 2010, ramping up to 3M lbs U₃O₈ per annum utilising a satellite pre-processing plant close to the Four Mile deposits to recover uranium from ISR mining solutions. Loaded resin is then transported to the existing Beverley uranium processing facility for resin stripping and uranium precipitation and drying and packaging of uranium concentrate.
- The Scope of Works associated with the proposed Four Mile satellite plant and the proposed Beverley plant modifications and additions progressed during the Quarter.
- Alliance makes its first payment towards the cost of development of uranium mining at Four Mile East totalling \$1,013,410.
- Alliance commissions an independent mineral resource estimates for Four Mile East and an updated mineral resource estimate for Four Mile West.
- Alliance commissions an independent scoping study for Four Mile Uranium Project
- Drilling continued at Four Mile West (FMW). Mineralisation at FMW is still open to the west and remains open in part to the north. A corridor of high-grade mineralisation (cutoff GT>0.15m%pU₃O₈) is confirmed over approximately 1.8 kilometres at FMW.

Maldon Gold Project, Victoria (Alliance 100%)

The Maldon Project is located 30 km south west of Bendigo in central Victoria. During the period, the following significant matters were announced:

- A decision to suspend underground mining operations at the Maldon Gold Project. This decision was made in light of the deteriorating global capital markets, and the need to preserve the Company's cash for development of the Four Mile Uranium Project.
- The gold processing plant was operational at the end of the period.
- Alliance has embarked on securing mill feed sources for the processing plant through either outright purchase and also on a toll treatment basis with other operators within the Victorian Goldfields, in order to optimise the treatment facilities and maintain key personnel until such a time that a decision is made regarding the future of the Maldon Gold Project.

Warrina Copper-Gold Project, South Australia (Alliance 100%)

The Warrina Project is located 60 km north east of Coober Pedy in South Australia. During the period, the following significant matters were announced:

- Two diamond core holes were completed at the Big NE gravity and magnetic targets respectively to test for iron-oxide copper-gold mineralisation (analyses pending).

East Frome Base Metal Project, New South Wales (Alliance 100%)

The East Frome Project is located approximately 30 km to the northwest of Broken Hill, New South Wales. The project is prospective for copper-gold mineralisation and Broken Hill style lead-zinc-silver mineralisation. During the period, the following significant matters were announced:

- A regional gravity survey was completed in order to assist with target definition and to tie in previous gravity surveys.

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 page 6.

Signed in accordance with a resolution of Directors.

A handwritten signature in black ink, appearing to read 'T. Lethlean', written over a horizontal line.

Tony Lethlean
Director

Dated at Melbourne, Victoria this 16th day of March 2009



Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Alliance Resources Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) 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 half-year ended 31 December 2008.

D J Garvey
Partner
PKF

16 March 2009
Melbourne

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Liability limited by a scheme approved under Professional Standards Legislation.

The Directors of Alliance Resources Limited declare that:

- 1 the financial statements and notes are 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 2008 and of its performance, as represented by the results of its operations, changes in equity and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Tony Lethlean
Director

Dated at Melbourne, Victoria this 16th day of March 2009

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ALLIANCE RESOURCES LIMITED**Chartered Accountants
& Business Advisers**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Alliance Resources Limited, which comprises the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Alliance Resources Limited and the entities it controlled at 31 December 2008 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of Alliance Resources Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 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 2008 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.

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 2008 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.

PKF

D J Garvey
Partner16 March 2009
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CONDENSED INCOME STATEMENT

For the half year ended 31 December 2008

Alliance Resources Limited

		CONSOLIDATED HALF YEAR	
	Note	31 December 2008 \$	31 December 2007 \$
Revenue from continuing operations:			
Interest Income		759,815	461,351
Expenses from continuing operations:			
Administrative expenses		(858,429)	(684,008)
Depreciation		(75,338)	(37,681)
Directors' fees		(117,776)	(111,323)
Writedown in value of investments		(287,075)	(594,710)
Minesite and rehabilitation		(935,739)	(346,409)
Impairment of Exploration Costs	3	(17,401,153)	-
Occupancy expenses		(13,667)	(10,231)
Expense of share options granted		(489,553)	(1,582,305)
Loss before income tax		(19,569,123)	(2,905,316)
Income tax attributable to operating profit/ (loss)		-	(122,008)
Net Loss attributable to members of Alliance Resources Limited		(19,569,123)	(3,027,324)
Loss per share from continuing operations			
Basic loss per share (cents)		(7.16)	(1.17)
Diluted loss per share (cents)		(7.16)	(1.17)

The accompanying notes form part of these financial statements

CONDENSED BALANCE SHEET

As at 31 December 2008

Alliance Resources Limited

		CONSOLIDATED	
	Note	31 December 2008	30 June 2008
		\$	\$
Current Assets			
Cash and cash equivalents		15,593,932	23,792,643
Receivables		544,669	443,155
Inventories		64,031	59,031
Other		236,932	111,861
Total Current Assets		16,439,564	24,406,690
Non Current Assets			
Receivables		509,000	499,000
Other financial assets		171,768	458,842
Property, plant and equipment		1,391,407	835,663
Exploration and evaluation costs	3	9,290,041	20,154,829
Total Non Current Assets		11,362,216	21,948,334
Total Assets		27,801,780	46,355,024
Current Liabilities			
Payables		1,535,844	1,175,195
Provisions		32,118	62,074
Total Current Liabilities		1,567,962	1,237,269
Non Current Liabilities			
Deferred income		-	59,075
Provisions		656,333	600,000
Total Non Current Liabilities		656,333	659,075
Total Liabilities		2,224,295	1,896,344
Net Assets		25,577,485	44,458,680
Equity			
Contributed equity	4	55,866,724	55,574,318
Accumulated losses		(34,062,291)	(14,493,168)
Reserves		3,773,052	3,377,530
Total Equity		25,577,485	44,458,680

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2008

Alliance Resources Limited

CONSOLIDATED	Issued Capital	Accumulated Losses	Share Option Reserve	Asset Revaluation Reserve	TOTAL
	\$	\$	\$	\$	\$
At 1 July 2007	25,676,591	(8,974,148)	719,169	284,684	17,706,296
Cost of share options issued	-	-	1,582,304	-	1,582,304
Share issue costs	(1,150,789)	-	-	-	(1,150,789)
Total income and expense for the period recognised directly in equity	(1,150,789)	-	1,582,304	-	431,515
Loss for the period	-	(3,027,324)	-	-	(3,027,324)
Exercise of options	400,000	-	-	-	400,000
Shares issued during the period	30,000,100	-	-	-	30,000,100
Revaluation of investments	-	-	-	(284,684)	(284,684)
At 31 December 2007	54,925,902	(12,001,472)	2,301,473	-	45,225,903

CONSOLIDATED	Issued Capital	Accumulated Losses	Share Option Reserve	Asset Revaluation Reserve	TOTAL
	\$	\$	\$	\$	\$
At 1 July 2008	55,574,318	(14,493,168)	3,377,530	-	44,458,680
Cost of share options issued	-	-	489,553	-	489,553
Share issue costs	(1,625)	-	-	-	(1,625)
Total income and expense for the period recognised directly in equity	(1,625)	-	489,553	-	487,928
Loss for the period	-	(19,569,123)	-	-	(19,569,123)
Exercise of options	200,000	-	-	-	200,000
Cost of share options exercised	94,031	-	(94,031)	-	-
At 31 December 2008	55,866,724	(34,062,291)	3,773,052	-	25,577,485

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2008

Alliance Resources Limited

	CONSOLIDATED HALF YEAR	
	2008	2007
	\$	\$
Cash flows from operating activities		
Receipts from operations	5,300	7,249
Payments to suppliers and employees	(1,840,575)	(1,532,472)
Payments for exploration costs	(6,536,365)	(3,762,816)
Interest received	616,459	288,014
Net cash flows used in operating activities	<u>(7,755,181)</u>	<u>(5,000,025)</u>
Cash flows from investing activities		
Transfer to term & rental deposits	(10,823)	(173,457)
Payments for property, plant and equipment	(631,082)	(40,905)
Net cash flows used in investing activities	<u>(641,905)</u>	<u>(214,362)</u>
Cash flows from financing activities		
Proceeds from issues of shares	200,000	30,400,100
Payments for share issue costs	(1,625)	(1,150,789)
Net cash flows from financing activities	<u>198,375</u>	<u>29,249,311</u>
Net (decrease) / increase in cash held	(8,198,711)	24,034,924
Cash at beginning of the half year	<u>23,792,643</u>	<u>5,166,290</u>
Cash at end of the half year	<u><u>15,593,932</u></u>	<u><u>29,201,214</u></u>

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

For the half year ended 31 December 2008

Alliance Resources Limited

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial report should be read in conjunction with the Annual Financial Report of Alliance Resources Limited as at 30 June 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by Alliance Resources Limited and its controlled entities during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Accounting

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The same accounting policies have been followed as those applied in the financial report for the year ended 30 June 2008.

The half-year financial report has been prepared in accordance with the historical cost convention. For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The consolidated interim financial report was approved by the Board of Directors on 16 March 2009

(b) Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the annual financial report for the financial year ended 30 June 2008 and the corresponding interim financial report for the half year ended 31 December 2007.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

For the half year ended 31 December 2008

Alliance Resources Limited

NOTE 2. SEGMENT INFORMATION

Alliance Resources Limited operates in the mineral exploration and mining industry in Australia.

NOTE 3. EXPLORATION AND EVALUATION COSTS

	31 December 2008 \$	30 June 2008 \$
Exploration and evaluation costs carried forward in respect of minerals exploration areas of interest:		
Exploration and evaluation phases	9,290,041	20,154,829
Opening balance	20,154,829	10,784,588
Expenditure incurred	5,522,955	9,370,241
Contributions to a Joint Venture Development ⁽¹⁾	1,013,410	-
Impairment of Exploration Costs ⁽²⁾	(17,401,153)	-
Closing balance⁽³⁾	9,290,041	20,154,829

Note:

- (1) - The Company received its first cash call in respect of the cost of development of uranium mining at Four Mile East totalling \$1,013,410 in December 2008. This amount was accrued at 31 December 2008 and paid in January 2009.
- (2) - On 3 November 2008, the Company announced it was suspending underground operations at the Maldon Gold Project in Victoria, in order to focus its resources on the development of the Four Mile Uranium Project. In light of this decision the Company has decided to writedown the value of Exploration costs associated with the Maldon Gold Project to more accurately reflect its current value.

(3) - Exploration costs can be broken down as follows:	\$
Maldon, Victoria	6,626,223
Warrina, SA	1,133,405
Four Mile JV, SA	1,272,341
East Frome, NSW	258,072
	<u>9,290,041</u>

The recoverability of the carry forward amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

NOTE 4. EQUITY SECURITIES ISSUED

	31 December 2008 \$	30 June 2008 \$
(a) - Issued and paid up capital:		
Issued and fully paid ordinary shares	<u>55,866,724</u>	<u>55,574,318</u>
(b) - Movements in contributed equity during the six month period were as follows:		
	Number	\$
Ordinary Shares		
Opening balance at 1 July 2008	272,851,285	55,574,318
Exercise of unlisted options - 20 cents	1,000,000	200,000
Transfer of share options exercised	-	94,031
Share issue costs	-	(1,625)
Total ordinary shares on issue at 31 December 2008	<u>273,851,285</u>	<u>55,866,724</u>

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

For the half year ended 31 December 2008

Alliance Resources Limited

NOTE 4. EQUITY SECURITIES ISSUED (CONTINUED)

During the period the Company issued the following unlisted options:

- 2.0 million unlisted options to the Managing Director of the Company pursuant to the Employee Share Option Plan. The issue of the options was approved at the Company's AGM on 19 November 2008.

The terms of the options are as follows:

- 1,000,000 options at an exercise price of \$1.00 per option exercisable after 1 January 2009;
- 1,000,000 options at an exercise price of \$1.20 per option exercisable after 1 January 2010; and
- The options are exercisable by notice in writing to the Company, accompanied by payment of the exercise price, on or prior to 31 October 2011.

Unlisted Options

The Company has the following unlisted options on issue at 31 December 2008:

Grant Date	Exercise Price \$	Number	Expiry Date
Director - 23 Nov 2005 ⁽¹⁾	0.20	-	31 Oct 2008
Staff & Contractor - 2 Oct 2006 ⁽⁴⁾⁽⁵⁾⁽⁶⁾	0.80	325,000	31 Oct 2009
Staff & Contractors - 22 Oct 2007 ⁽⁴⁾⁽⁵⁾⁽⁷⁾	1.60	3,300,000	31 Oct 2010
Director - 29 Nov 2007 ⁽⁴⁾⁽⁸⁾⁽⁹⁾	1.60	3,000,000	31 Oct 2010
Managing Director - 1 Dec 2008 ⁽²⁾⁽³⁾⁽⁴⁾	1.00	1,000,000	31 Oct 2011
Managing Director - 1 Dec 2008 ⁽²⁾⁽³⁾⁽⁴⁾	1.20	1,000,000	31 Oct 2011
Total unlisted options on issue at 31 December 2008		8,625,000	

Notes:

(1) - During the Half-year to December 2008, 1,000,000 Director options were exercised.

(2) 2,000,000 unlisted options to the Managing Director of the Company pursuant to the Employee Share Option Plan. The terms of the options are as follows:

- 1,000,000 options at an exercise price of \$1.00 per option exercisable after 1 January 2009; and
- 1,000,000 options at an exercise price of \$1.20 per option exercisable after 1 January 2010.

(3) - The Options granted under the ESOP were approved by shareholders at the 2008 annual general meeting.

(4) - The terms of the above options were as follows:

- The Options were granted for no consideration;
- Options granted carry no dividend or voting rights;
- The exercise price of the Options was determined by the directors; and
- Each Option converts to one ordinary share.

(5) - The Options granted under the ESOP were approved by shareholders at the 2006 annual general meeting.

(6) - No options may be exercised prior to 30 June 2007 and no more than one half of the total number of options issued to any of the employees may be exercised by him or her prior to 31 December 2007.

(7) - No options may be exercised prior to 30 April 2008 and no more than one half of the total number of options issued to any of the employees may be exercised by him or her prior to 31 December 2008.

(8) - No options may be exercised prior to 31 December 2007 and no more than one half of the total number of options issued to any of the employees may be exercised by him or her prior to 30 June 2008.

(9) - The Options granted were approved by the shareholders at the 2007 annual general meeting.

NOTE 5. EVENTS AFTER BALANCE SHEET DATE

On 25 September 2008 Alliance Resources Limited (Alliance) announced that its Joint Venture Partner, Quasar Resources Pty Ltd (Quasar), has given notice of a decision to mine in accordance with the exploration joint venture agreement (EJVA) between Alliance Craton Explorer Pty Ltd (Craton) and Quasar.

Under the EJVA, Quasar notified Craton of its decision to mine in September 2008 and provided Craton with a feasibility study (FS) compiled by URS Australia Pty Ltd, but generated internally by Heathgate Resources Pty Ltd and Quasar. Heathgate is an affiliate of Quasar. The objective of the FS was to establish the basis on which Quasar rendered its decision to mine. While the FS met Quasar's obligations under the EJVA, it did not provide a

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

For the half year ended 31 December 2008

Alliance Resources Limited

NOTE 5. EVENTS AFTER BALANCE SHEET DATE (CONTINUED)

sufficient quantity of independently verified information for Alliance as a publicly listed company. As such, Craton must commission independent studies to determine/verify whether the proposed mine development program and budget proposed by Quasar is fair and equitable and in the best interest of Alliance Shareholders.

In January 2009 Craton made its first payment towards the cost of development of uranium mining at Four Mile East totaling \$1,013,410. The second payment totaling \$398,660 was made in February 2009. Craton disputes the validity of the cash calls made by Quasar and, in making the payments, has reserved all of its rights. The payments were made to preserve Craton's participatory rights in the Four Mile project. The total quantum of the commitments cannot be adequately quantified at this stage in view of the ongoing independent studies by Craton.

Craton expects to continue making cash calls subject to the reservation of its rights until it has had an opportunity to consider the independent studies referred to above, at which time it will review its position.