

Alliance Resources Limited

ABN 38 063 293 336

Interim Report - 31 December 2016

Alliance Resources Limited
Corporate directory
31 December 2016

Directors	Ian J Gandel (Chairman) Stephen F Johnston (Managing 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 Collins Square Tower Four Level 18, 727 Collins Street Melbourne Victoria 3008
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 2016

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 at the end of, or during, the half-year ended 31 December 2016.

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:

Ian Jeffrey Gandel
Stephen Frederick Johnston
Anthony Dean Lethlean

Principal activities

The principal activities of the consolidated entity during the six months ended 31 December 2016 were exploring its projects in South Australia (Wilcherry Project Joint Venture), New South Wales and Western Australia.

Review of operations

The loss for the Consolidated Entity after providing for income tax and non-controlling interest amounted to \$560,758 (31 December 2015: profit of \$50,056,752).

During the period, Alliance Resources Limited released its Annual Report for the year to 30 June 2016. It also released Quarterly Activities Reports to 30 September 2016 and 31 December 2016, with significant events as follows:

Purchase of 51% interest in the Wilcherry Project and formation of Joint Venture

Alliance Resources Limited (Alliance) through its wholly owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE), acquired 51% equity in the Wilcherry Project Joint Venture (Wilcherry Project) in the mineral rich Gawler Craton, South Australia from Trafford Resources Pty Ltd (Trafford), a wholly owned subsidiary of Tyranna Resources Limited (Tyranna) (ASX Code: TYX) for \$2 million. The Wilcherry Project area is located within the southern part of the Gawler Craton in the northern Eyre Peninsula and comprises six exploration licences covering 1,074 km².

Both ACE and Trafford are to contribute to expenditure in accordance with their percent equity in the Project, or dilute using a standard dilution formula. The Wilcherry Project is prospective for gold, tin, copper, zinc, lead, silver, iron, bismuth, tungsten and uranium in a variety of mineralisation styles. There are twenty eight (28) existing exploration targets within the Wilcherry Project area. The highest priority exploration targets at the Wilcherry Project are currently the Weednanna gold prospect and the Zealous tin prospect. Alliance's initial focus is exploration for gold and tin.

A regional helicopter borne electromagnetic (HEM) survey commenced at the Wilcherry Project in early December 2016. The high-resolution HEM survey is being completed using the Xcite™ system to test for conductors associated with massive sulphide base metal deposits including tin, copper-gold, and silver-lead-zinc deposits. The survey has been planned to test a large area of Palaeo-proterozoic Hutchinson Group meta-sediments where they are underlain by Hiltaba Granite (indicated by significant gravity lows). The survey is being flown on 800 metre spaced east-west oriented lines and infilled to 400 metre line spacing in areas of significant conductivity.

A total of 1,085 line km (86%) of the original planned survey area has been completed and an additional 76 line km of infill surveying have been flown. The survey paused on 20 December 2016 due to prior commitments of the aircraft and is planned to recommence in March 2017.

Results received to date have been highly encouraging with many late-time conductors identified, potentially indicative of massive sulphide mineralisation. Most of these conductors still require infill flying, however surveying is complete at the Zealous tin prospect and the Telephone Dam silver-lead-zinc prospect where strong late-time conductors have been identified. Refer to Alliance ASX announcement dated 21 December 2016 for further details.

During the reporting period, Alliance received the results from a three hole diamond drilling program by Trafford at the Zealous prospect in August-September 2016. The drilling, completed prior to the commencement of the joint venture, primarily targeted a magnetic anomaly thought to represent a potential source for the tin previously intersected at the prospect, however, there is insufficient magnetism in the core to explain the anomaly. Only one hole intersected anomalous tin, 28m @ 469ppm Sn from 41m in 16ZLDH003. However, significant lead (Pb), zinc (Zn) and uranium (U) results were intersected, e.g. 63m @ 1.06% Pb from 36m and 129m @ 0.24% Zn from 69m, including 3m @ 747ppm U in 16ZLDH003. Refer to Alliance ASX announcement dated 21 December 2016 for further details.

During the reporting period, a program of re-logging all available RC chips and diamond core from Weednanna commenced with the objective of identifying structural and lithological controls on the distribution of gold, planning further exploration and compilation of a 3D geological model of the prospect to support a mineral resource estimate. Alliance also commenced a program of re-analyses of sample pulps from 2012 RC drilling for iron mineralisation at Weednanna and elsewhere, for gold and other metals. This work is expected to be completed in the first half of 2017.

West Australian Nickel - Gold - Projects (Alliance 100%)

Alliance (SA) Pty Ltd has two projects in Western Australia - Nepean South and Gundockerta South. The Nepean South project is located 26 km southwest of Coolgardie and is prospective for both komatiitic-hosted nickel sulphide deposits and greenstone-hosted orogenic gold deposits. A broad area of gold-in-soil anomalism has been identified in the northwest of the auger soil survey area and approximately 4km southwest of the Nepean Mine owned by Focus Minerals Ltd. The main gold anomaly (>5.5ppb) is approximately 1,100m in length, has a variable width up to 900m and is open to the north.

Following a detailed literature review of the existing geological data, it was revealed that historic Metals Exploration percussion hole MLX005 (6,546,600mN / 317,150mE) returned 19.8m @ 0.37 g/t Au from 10.7m to EOH, including 4.6m @ 1.0 g/t Au from 25.9m to EOH.

Alliance completed a 156 sample orientation auger soil survey on three 400m x 50m spaced lines in areas of interpreted shallow transported cover and analysed for gold and base metals. The objective of this orientation survey was to determine the effectiveness of using auger soil sampling as an exploration tool across areas of known ultramafic rock and gold in regolith anomalism, including over MLX005.

Whilst the effectiveness of this sampling technique was variable and no gold in soil anomalism was returned over MLX005 in the east of the survey area, broad gold-in-soil anomalism in the northwest justified a proposed second phase of auger soil sampling. Subsequent work is reported under the section headed "Events after the reporting period".

The Gundockerta South project is located 72 km east of Kalgoorlie and is prospective for both komatiitic-hosted nickel sulphide deposits and greenstone-hosted orogenic gold deposits. A detailed literature review of historic exploration within the project area was completed during the period. Previous gold exploration has largely been driven by conceptual structural targeting followed by surface geochemical sampling to test for low level gold anomalism to define targets for drill testing. Compilation of the historic surface geochemical sampling indicates four areas of anomalous gold results have been defined, overlying or adjacent to outcropping Archaean rocks with the tenement.

Past drilling for gold has focussed on testing three of the soil anomalies in the central and eastern parts of the tenement. No significant gold results were returned from this drilling, with only six holes returning intersections greater than 100 ppb Au associated with ultramafic rocks. However, there is a large zone of sporadic gold-in-soil anomalism located in the northwest of the tenement area hosted in clay, silt and sand that is approximately 8 kilometres by 3.5 kilometres in size. This target is untested by drilling. Given the size of this gold anomaly, the surface cover conditions and proximity to a flexure in a major fault truncating rocks of differing rheology contrast, this target has the potential to host primary gold mineralisation. Future work includes wide spaced drilling to test for gold in regolith anomalism to vector towards primary gold mineralisation.

Past nickel exploration has demonstrated the presence of two main corridors of ultramafic rocks within the tenement area that are considered prospective for nickel sulphide mineralisation.

Past drilling of these two ultramafic horizons has returned a number of holes with elevated nickel and copper anomalism (+2,000 ppm Ni and +100 ppm Cu) potentially indicating fertile ultramafic rocks, while other holes with +2,000 ppm Ni and low copper results are likely the result of lateritic concentration of nickel. The most efficient means of exploring for massive nickel sulphide deposits is by utilising electromagnetic (EM) techniques to test for conductors that may be caused by massive sulphide accumulations. No EM surveys have been completed within the tenement to test for conductors potentially related to massive nickel sulphide mineralisation. Future work may include a moving loop EM survey to test the full strike length of the two ultramafic units, followed by a fixed loop EM survey to better define any conductors prior to bedrock drill testing using RC or diamond drilling.

Refer to Alliance ASX announcement (Quarterly Report) dated 30 January 2017 for further details.

New South Wales Projects (Alliance 100%)

The Bogan Gate West Project, NSW is located approximately 45 km west of Parkes in New South Wales and is prospective for a number of mineral deposit types including skarn hosted poly-metallic, epithermal gold, porphyry related copper-gold and rare earths minerals. EL8490 (formerly ELA5307) was granted on 16 December 2016. There has been no substantive fieldwork on this project since Duval Mining in 1981-82.

Proposed work includes reviewing and compiling the existing data generated by previous explorers, geological mapping & geochemistry (portable XRF and conventional); geophysical survey(s), e.g. ground magnetics, induced polarisation and drilling of targets generated by the geochemistry and geophysics.

Corporate

During the reporting period:

Capital Return

On 30 November 2016, Alliance announced that it had processed the return of capital (2016 Capital Return) of 2 cents for each Share held on the record date of 23 November 2016. The 2016 Capital Return totalling \$8,343,475 was approved by shareholders at the Annual General Meeting (AGM) held 18 November 2016. Refer to Alliance ASX announcement dated 30 November 2016 for further details.

ATO Class Ruling Release

On 1 March 2017, Alliance announced that the Australian Taxation Office (ATO) issued a Class Ruling (CR 2017/13) that confirms the full amount of the distribution represents a Capital Return with no portion deemed to be a dividend from profits. The Class Ruling was consistent with the information previously provided in the Explanatory Statement for the general meeting held on 18 November 2016. The Class Ruling is available on the Alliance Resources Ltd website via the Investor Centre – ATO Class Ruling March 2017 tab. Refer to Alliance ASX announcement dated 1 March 2017 for further details.

Share Consolidation

On 17 October 2016, in the Notice of Annual General Meeting, Alliance announced its intention to conduct a 1 ordinary share for every 4 ordinary shares held Share Consolidation. Shareholders resolved to approve the Share Consolidation at the AGM held 18 November 2016. The Share Consolidation record date was 2 December 2016. Following the Share Consolidation Alliance now has 104,293,923 ordinary shares on issue.

Investment in Tyranna Resources Limited

Alliance has acquired 17.91% of Tyranna's issued share capital and may acquire or subscribe for shares up to 19.9% of Tyranna.

Events after the reporting period

Events after the reporting period of the consolidated entity include:

On 24 January 2017, Alliance announced that it had completed an orientation auger soil survey at the Nepean South Project in Western Australia. A second phase of auger soil sampling was also completed to infill the previous sample spacing to 200m x 50m and extend the survey area to the north (247 samples). A third phase of auger soil sampling to infill gold anomalism to a 50 metre by 50 metre spaced grid and extend the survey area to the north with 2 x 200m spaced lines (624 samples) is now planned for March 2017. Subject to results, planned work will consist of aircore drilling to vector towards the primary source of gold.

On 2 February 2017, Alliance announced significant gold results had been returned from assaying of 2012 reverse circulation (RC) samples at the Weednanna prospect (Wilcherry Project JV) (originally drilled for magnetite but not assayed for gold), including:

- 2m @ 30.03 g/t Au from 17m
- 5m @ 6.34 g/t Au from 13m (incl. 3m @ 10.10 g/t Au from 13m)
- 3m @ 8.30 g/t Au from 53m
- 8m @ 1.99 g/t Au from 5m (incl. 3m @ 4.03 g/t Au from 6m)
- 11m @ 1.43 g/t from 55m (incl. 6m @ 2.13 g/t Au from 60m)

On 7 February 2016, Alliance announced that it had commenced a 23 hole RC drilling program at the Weednanna prospect to test three possible high-grade gold shoots. No results had been received at the time of reporting.

On 8 February 2017, Alliance announced that it had commenced ground moving loop electromagnetic (MLEM) surveys to follow up two large conductors identified by the recent helicopter borne electromagnetic (HEM) survey at the Wilcherry Project. The MLEM survey commenced near the Zealous tin prospect where a 1.7 kilometre long conductor was identified by the HEM survey, 450 metres to the northwest of previous drilling at Zealous. The MLEM crew then moved to the Telephone Dam silver-lead-zinc prospect where a 3.0 kilometre long conductor was identified by the HEM survey. The purpose of the ground MLEM surveys is to better define the location of conductors for drill testing. The survey recently concluded and results are expected to be released shortly.

Significant changes in the state of affairs

Significant changes in the state of affairs are noted above in the Review of Operations

There were no other 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 immediately after this Directors' report.

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



Anthony Lethlean
Chairman - Audit & Risk Committee

15 March 2017
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 2016, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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, 15 March 2017

Alliance Resources Limited

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General information

The financial statements cover Alliance Resources Limited as a Consolidated Entity consisting of Alliance Resources Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Alliance Resources Limited's functional and presentation currency.

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 statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 March 2017. The Directors have the power to amend and reissue the financial statements.

Alliance Resources Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	Consolidated 31 Dec 2016 \$	31 Dec 2015 \$
Revenue			
Interest income		252,553	286,582
Other income	3	37,106	49,619,779
		<u>289,659</u>	<u>49,906,361</u>
Expenses			
Depreciation and amortisation expense		(8,286)	(2,598)
Expense of share options granted		(33,292)	-
Tenement costs abandoned		(156,216)	(1,035)
Other expenses		-	(5,237)
Occupancy expenses		(10,254)	(8,464)
Administration expenses		(422,157)	(556,769)
Legal expenses		(62,425)	(129,162)
Director fees		(55,083)	(134,727)
Company secretarial		(87,818)	(117,471)
Marketing expenses		(14,886)	(3,000)
Reversal of Expense Accrual		-	1,108,854
		<u>-</u>	<u>1,108,854</u>
Profit/(loss) before income tax expense		(560,758)	50,056,752
Income tax expense		-	-
		<u>-</u>	<u>-</u>
Profit/(loss) after income tax expense for the half-year		(560,758)	50,056,752
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Change in fair value of equity investments at FVOCI		(536,920)	22,000
		<u>(536,920)</u>	<u>22,000</u>
Other comprehensive income for the half-year, net of tax		(536,920)	22,000
		<u>(536,920)</u>	<u>22,000</u>
Total comprehensive income for the half-year		<u>(1,097,678)</u>	<u>50,078,752</u>
Profit/(loss) for the half-year is attributable to:			
Non-controlling interest		-	-
Owners of Alliance Resources Limited		(560,758)	50,056,752
		<u>(560,758)</u>	<u>50,056,752</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		-	-
Owners of Alliance Resources Limited		(1,097,678)	50,078,752
		<u>(1,097,678)</u>	<u>50,078,752</u>
		<u>(1,097,678)</u>	<u>50,078,752</u>
		Cents	Cents
Basic earnings per share	12	(0.54)	49.04
Diluted earnings per share	12	(0.54)	49.04

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Alliance Resources Limited
Statement of financial position
As at 31 December 2016

	Note	Consolidated 31 Dec 2016 \$	30 Jun 2016 \$
Assets			
Current assets			
Cash and cash equivalents	4	10,700,747	24,687,040
Trade and other receivables		431,806	42,741
Other assets		49,357	-
Total current assets		<u>11,181,910</u>	<u>24,729,781</u>
Non-current assets			
Trade and other receivables		20,000	-
Financial assets at fair value through other comprehensive income	5	2,355,524	188,617
Property, plant and equipment		20,751	29,037
Exploration and evaluation	6	2,551,529	69,346
Total non-current assets		<u>4,947,804</u>	<u>287,000</u>
Total assets		<u>16,129,714</u>	<u>25,016,781</u>
Liabilities			
Current liabilities			
Trade and other payables		106,659	110,833
Employee benefits		22,287	27,686
Total current liabilities		<u>128,946</u>	<u>138,519</u>
Non-current liabilities			
Employee benefits		70,092	81,841
Total non-current liabilities		<u>70,092</u>	<u>81,841</u>
Total liabilities		<u>199,038</u>	<u>220,360</u>
Net assets		<u>15,930,676</u>	<u>24,796,421</u>
Equity			
Issued capital	7	47,495,133	55,841,095
Reserves		(567,137)	(63,509)
Accumulated losses		(31,541,923)	(30,981,165)
Equity attributable to the owners of Alliance Resources Limited		<u>15,386,073</u>	<u>24,796,421</u>
Non-controlling interest	8	544,603	-
Total equity		<u>15,930,676</u>	<u>24,796,421</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Alliance Resources Limited
Statement of changes in equity
For the half-year ended 31 December 2016

Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Total equity \$
Balance at 1 July 2015	103,475,639	(78,222,860)	(781,145)	24,471,634
Profit after income tax expense for the half-year	-	50,056,752	-	50,056,752
Other comprehensive income for the half-year, net of tax	-	-	22,000	22,000
Total comprehensive income for the half-year	-	50,056,752	22,000	50,078,752
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	2,426,309	-	-	2,426,309
Capital Return	(50,060,853)	-	-	(50,060,853)
Balance at 31 December 2015	<u>55,841,095</u>	<u>(28,166,108)</u>	<u>(759,145)</u>	<u>26,915,842</u>

Consolidated	Contributed equity \$	Accumulated losses \$	Reserves \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2016	55,841,095	(30,981,165)	(63,509)	-	24,796,421
Loss after income tax expense for the half-year	-	(560,758)	-	-	(560,758)
Other comprehensive income for the half-year, net of tax	-	-	(536,920)	-	(536,920)
Total comprehensive income for the half-year	-	(560,758)	(536,920)	-	(1,097,678)
Non-controlling interest - Trafford Resources P/L	-	-	-	544,603	544,603
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	-	33,292	-	33,292
Share Registry Costs - Capital Return	(2,538)	-	-	-	(2,538)
Interest - Wilcherry Project JV	51	-	-	-	51
Capital Return	(8,343,475)	-	-	-	(8,343,475)
Balance at 31 December 2016	<u>47,495,133</u>	<u>(31,541,923)</u>	<u>(567,137)</u>	<u>544,603</u>	<u>15,930,676</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Alliance Resources Limited
Statement of cash flows
For the half-year ended 31 December 2016

		Consolidated	
	Note	31 Dec 2016	31 Dec 2015
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(964,042)	(1,786,060)
Interest received		237,428	264,342
Other income	3	37,106	-
		<u>(689,508)</u>	<u>(1,521,718)</u>
Net cash used in operating activities			
Cash flows from investing activities			
Payments for investments - Tyranna Resources Ltd and Centennial Mining Ltd	5	(2,703,827)	-
Payments for property, plant and equipment		-	(34,303)
Payments for exploration and evaluation	6	(2,482,183)	(600,083)
Proceeds from disposal of joint venture, net of transactions costs		-	73,619,514
Proceeds from performance bond		-	840,291
Proceeds from JV Partner		192,272	-
		<u>(4,993,738)</u>	<u>73,825,419</u>
Net cash (used in)/from investing activities			
Cash flows from financing activities			
Proceeds from issue of shares		-	2,426,309
Share issue transaction costs		(2,538)	-
Payment for Capital Distribution		(8,300,509)	(50,060,853)
		<u>(8,303,047)</u>	<u>(47,634,544)</u>
Net cash used in financing activities			
Net (decrease)/increase in cash and cash equivalents		(13,986,293)	24,669,157
Cash and cash equivalents at the beginning of the financial half-year		24,687,040	926,595
		<u>10,700,747</u>	<u>25,595,752</u>
Cash and cash equivalents at the end of the financial half-year	4		

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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, except for the policies stated below.

New and Amended Standards

For the financial year ended 30 June 2016 the consolidated entity elected to apply AASB9 *Financial Instruments* as issued in December 2014, because the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows. In accordance with the transitional provisions in AASB 9 (7.2), the entity has chosen to restate comparatives from the 31 December 2015 interim report which was compiled using the former accounting policy under AASB 139.

The accounting policies were changed to comply with AASB 9 as issued by the AASB in December 2014. AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. AASB 9 also significantly amends other standards dealing with financial instruments such as AASB 7 *Financial Instruments: Disclosures*.

Equity investments previously classified as available-for-sale

The company elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are not held for trading. As a result, assets with a fair value of \$188,617 at 30 June 2016 were reclassified from available-for-sale financial assets to financial assets at fair value through OCI and fair value gains of \$22,000 (2015) were reclassified from the available-for-sale financial assets reserve to the financial assets at fair value through OCI reserve. No dividends were recognised during the period.

New or amended Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted unless otherwise stated.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

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.

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.

Alliance Resources Limited
Notes to the financial statements
31 December 2016

Note 3. Other income

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Other income		
Gain on sale of Four Mile Uranium Project	-	49,619,779
Wilcherry Project Joint Venture management fees	37,106	-
	<u>37,106</u>	<u>-</u>
Total other income	<u><u>37,106</u></u>	<u><u>49,619,779</u></u>

Other income for the half year ended 31 December 2015 related to the gain on sale of the Four Mile Uranium Project after selling costs and joint venture contributions.

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Cash on hand	4	3
Cash at bank	2,575,880	4,309,090
Cash on deposit	8,124,863	20,377,947
	<u>10,700,747</u>	<u>24,687,040</u>

Cash on deposit includes a \$8.05 million 90 day Term Deposit with an Australian top four banking institution.

Note 5. Non-current assets - financial assets at fair value through other comprehensive income

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Listed securities	<u>2,355,524</u>	<u>188,617</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial half-year are set out below:		
Opening fair value	188,617	270,680
Additions - Investments in Tyranna Resources and Centennial Mining (formerly A1 Consolidated Gold)	2,703,827	246,400
Disposals	-	(367,400)
Movement in fair value	<u>(536,920)</u>	<u>38,937</u>
Closing fair value	<u><u>2,355,524</u></u>	<u><u>188,617</u></u>

Refer to note 10 for further information on fair value measurement.

Alliance Resources Limited
Notes to the financial statements
31 December 2016

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Exploration and evaluation costs carried forward - WA	86,559	32,540
Exploration and evaluation costs carried forward - NSW	95,984	36,806
Exploration and evaluation costs carried forward - ACE re WPJV	35,674	-
Exploration and evaluation costs carried forward - Wilcherry Project JV	2,333,312	-
	<u>2,551,529</u>	<u>69,346</u>

In October 2016 Alliance Resources Limited (Alliance) through its wholly owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE), acquired 51% equity in the Wilcherry Project Joint Venture (Wilcherry Project) in the mineral rich Gawler Craton, South Australia from Trafford Resources Pty Ltd (Trafford), a wholly owned subsidiary of Tyranna Resources Limited (Tyranna) (ASX Code: TYX) for \$2 million. The Wilcherry Project area is located within the southern part of the Gawler Craton in the northern Eyre Peninsula and comprises six exploration licences covering 1,074 km².

Both ACE and Trafford are to contribute to expenditure in accordance with their percent equity in the Project, or dilute using a standard dilution formula. The Wilcherry Project is prospective for gold, tin, copper, zinc, lead, silver, iron, bismuth, tungsten and uranium in a variety of mineralisation styles.

As Alliance holds a controlling interest it has consolidated the assets, liabilities, income and expenses of the Wilcherry Project on a line by line basis into its financial statements and accounted for Trafford's minority (49%) interest through equity in the Statement of Financial Position.

Alliance's direct investment in the Wilcherry Project, representing the purchase price paid \$2m and stamp duty of \$48,830 on transfer of its tenement interests is included in the above table.

Note 7. Equity - issued capital

	Consolidated			
	31 Dec 2016	30 Jun 2016	31 Dec 2016	30 Jun 2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>104,293,923</u>	<u>417,173,773</u>	<u>47,495,133</u>	<u>55,841,095</u>

Capital Return

A capital return payment of \$0.02 per share was processed on 30 November 2016 totalling \$8,343,475. Included within this total was the following capital return payments to key management personnel in accordance with their respective shareholdings:

- Mr I Gandel \$2,396,595
- Mr T Lethlean \$39,000
- Mr S Johnston \$112,842
- Mr R Tolliday \$5,000

Note 7. Equity - issued capital (continued)

Share Consolidation

On 17 October 2016, in the Notice of Annual General Meeting, Alliance announced its intention to conduct a 1 ordinary share for every 4 ordinary shares held Share Consolidation. Shareholders resolved to approve the Share Consolidation at the AGM held 18 November 2016. The Share Consolidation record date was 2 December 2016. Following the Share Consolidation Alliance now has 104,293,923 ordinary shares on issue.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 8. Equity - non-controlling interest

As detailed in note 6 above Alliance, through ACE, has a 51% equity interest in the Wilcherry Project, with Trafford holding a 49% interest. As Alliance has deemed control and has accordingly consolidated in full the Wilcherry Project assets and liabilities, and when applicable will consolidate any income and expenses, the interest of Trafford is represented in the financial accounts as a non-controlling interest.

The movement in Trafford's non-controlling interest during the 6 months ending 31 December 2016 is shown below and is represented by contributed equity only, as there were no income or expenses during the period. All costs incurred by the Joint Venture were capitalised into exploration and evaluation in the Statement of financial position.

	Consolidated	
	31 Dec 2016	30 Jun 2016
	\$	\$
Contributed equity	544,603	-

Note 9. Equity - dividends

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

Note 10. Fair value measurement

Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Ordinary shares	2,355,524	-	-	2,355,524
Total assets	2,355,524	-	-	2,355,524

Alliance Resources Limited
Notes to the financial statements
31 December 2016

Note 10. Fair value measurement (continued)

Consolidated - 30 Jun 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets				
Ordinary shares	188,617	-	-	188,617
Total assets	<u>188,617</u>	<u>-</u>	<u>-</u>	<u>188,617</u>

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial half-year.

Note 11. Events after the reporting period

On 24 January 2017, Alliance announced that it had completed an orientation auger soil survey at the Nepean South Project in Western Australia. A second phase of auger soil sampling was also completed to infill the previous sample spacing to 200m x 50m and extend the survey area to the north (247 samples). A third phase of auger soil sampling to infill gold anomalism to a 50 metre by 50 metre spaced grid and extend the survey area to the north with 2 x 200m spaced lines (624 samples) is now planned for March 2017. Subject to results, planned work will consist of aircore drilling to vector towards the primary source of gold.

On 2 February 2017, Alliance announced significant gold results had been returned from assaying of 2012 reverse circulation (RC) samples at the Weednanna prospect (Wilcherry JV) (originally drilled for magnetite but not assayed for gold), including:

- 2m @ 30.03 g/t Au from 17m
- 5m @ 6.34 g/t Au from 13m (incl. 3m @ 10.10 g/t Au from 13m)
- 3m @ 8.30 g/t Au from 53m
- 8m @ 1.99 g/t Au from 5m (incl. 3m @ 4.03 g/t Au from 6m)
- 11m @ 1.43 g/t from 55m (incl. 6m @ 2.13 g/t Au from 60m)

On 7 February 2016, Alliance announced that it had commenced a 23 hole RC drilling program at the Weednanna prospect to test three possible high-grade gold shoots. No results had been received at the time of reporting.

On 8 February 2017, Alliance announced that it had commenced ground moving loop electromagnetic (MLEM) surveys to follow up two large conductors identified by the recent helicopter borne electromagnetic (HEM) survey at the Wilcherry Project. The MLEM survey commenced near the Zealous tin prospect where a 1.7 kilometre long conductor was identified by the HEM survey, 450 metres to the northwest of previous drilling at Zealous. The MLEM crew then moved to the Telephone Dam silver-lead-zinc prospect where a 3.0 kilometre long conductor was identified by the HEM survey. The purpose of the ground MLEM surveys is to better define the location of conductors for drill testing. The survey recently concluded and results are expected to be released shortly.

No other matter or circumstance has arisen since 31 December 2016 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.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$	\$
Profit/(loss) after income tax	(560,758)	50,056,752
Non-controlling interest	-	-
Profit/(loss) after income tax attributable to the owners of Alliance Resources Limited	<u>(560,758)</u>	<u>50,056,752</u>

Note 12. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>104,293,519</u>	<u>102,065,777</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>104,293,519</u>	<u>102,065,777</u>
	Cents	Cents
Basic earnings per share	(0.54)	49.04
Diluted earnings per share	(0.54)	49.04

Alliance Resources Limited
Directors' declaration
31 December 2016

In the Directors' opinion:

- the attached financial statements and notes 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 give a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 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



Anthony Lethlean
Chairman - Audit & Risk Committee

15 March 2017
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 consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of 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 2016 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:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

A handwritten signature in black ink. The signature consists of the letters 'BDO' in a stylized, cursive font, followed by the name 'James Mooney' in a similar cursive script.

James Mooney
Partner

Melbourne, 15 March 2017