

HALF YEAR FINANCIAL REPORT 31 DECEMBER 2007

DIRECTORS

John S F Dunlop
Chairman

Ian J Gandel
Director

Tony D Lethlean
Director

MANAGEMENT

Steve F Johnston
Chief Executive Officer

Ian C Pamensky
Manager Finance & Company Secretary

Jason Fothergill
Site Manager

PRINCIPAL & REGISTERED OFFICE

Suite 3
51-55 City Road
Southbank
Victoria 3006

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

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
Facsimile +61 3 9473 2500

ASX CODE

AGS

INVESTOR INFORMATION

Alliance Resources Limited is an emerging uranium and gold producer. Alliance has a 25% free carried interest in the Arkaroola Project in South Australia, where its 75% joint venture partner, Quasar Resources Pty Ltd, is exploring for uranium. Quasar is an affiliate of Heathgate Resources Pty Ltd, which owns and operates the Beverley Uranium Mine, located immediately east of the Arkaroola Project. Alliance is also developing the Maldon Gold Project in Victoria, exploring for copper-gold at the Warrina Project in South Australia and exploring for copper and base metals at the East Frome Project in South Australia.

Your Directors present their report on the financial statements for the half-year ended 31 December 2007.

DIRECTORS

The directors of the Company during and since the end of the half-year are:

John Stuart Ferguson Dunlop	Director since November 1994 and Chairman since 1998
Ian Jeffery Gandel	Non Executive Director since October 2003
Anthony Dean Lethlean	Non Executive Director since October 2003

All the directors were in office from the beginning of the half-year until the date of this report.

RESULTS

The loss for the half-year after income tax was \$3,027,324 (2006: Profit - \$620,774).

REVIEW OF OPERATIONS

During the period, Alliance Resources Limited released its Annual Report for the year to 30 June 2007, with a Review of Operations to 26 September 2007. It also released Quarterly Activities Reports to 30 September 2007 and 31 December 2007, with significant events as follows:

Corporate

- On 22 October the Company announced the completion of a Share Placement at \$1.30 to sophisticated investors in Australia and abroad, raising \$30.1 million before expenses;
- On 22 October the Company issued 3.4 million unlisted options to employees, contractors and consultants exercisable at \$1.60 under the Employee Share Option Plan. These options expire on 31 October 2010;
- On 29 November 2007, the shareholders approved the issue of 3 million unlisted Director options exercisable at \$1.60. These options expire on 31 October 2010; and
- Cash reserves at 31 December 2007 were \$29.2 million

Arkaroola Uranium-Copper-Gold Joint Venture (Alliance 25% free carried during exploration), EL3666

The Arkaroola Joint Venture is located 550 km north of Adelaide in South Australia. During the period, Alliance announced the following significant matters:

- JV partner Quasar Resources continued exploration at the Four Mile uranium project. A total of 289 holes for 58,799 metres were drilled at the Four Mile East (FME) prospect during the period.
- Drilling at FME has been completed to 100m x 100m, and in parts of the northern region to 100m x 50m.
- During December 2007, drilling at the FME focused on defining a suitable area for conducting a Field Leach Trial. An area of approximately 200m x 200m has been selected in the northern region of FME for detailed assessment that includes close spaced rotary mud and core drilling

Subsequent to the period, the following significant matters were announced:

- Delivery of a Concept Evaluation Study for the Four Mile Project, commissioned by its joint venture partner Quasar. The objectives of the Concept Study were to identify the key project options, including:
 1. Suitable mining development and processing options, as well as potential synergies arising from the utilisation of the existing plant facilities and infrastructure at the nearby Beverley Uranium Mine;
 2. Project staging;
 3. Next stage(s) of project evaluation.
- The Concept Study has recommended that, subject to more detailed option selection studies, and based on information currently available, the optimal basis for the development of Four Mile would be a staged development, initially by In Situ Leach (ISL) mining utilising the nearby Beverley Uranium Mine processing plant. The staging proposed for further consideration in the Concept Study is subject to resource confirmation and optimization, but the initial three stages proposed are as follows:

Stage 1 – ISL mining at Four Mile East (FME) with an envisaged uranium concentrate production capacity of 1.5 million lb per annum.

Stage 2 – additional wellfields at FME, and potentially at Four Mile West (FMW), with an envisaged uranium concentrate production capacity of 3 million lb per annum;

Stage 3 - additional wellfields at FME and FMW, with an envisaged uranium concentrate production capacity of 4.5 million lb per annum.

- A key step in the development of Four Mile is the ability to conduct a successful Field Leach Trial (FLT) to assess the suitability of the use of ISL for the Four Mile deposits. Subject to regulatory approvals, the FLT is proposed to commence in the June quarter of 2008.
- It is emphasized that, while certain potential synergies have been identified in the Concept Study from the use of the Beverley plant to process ore from Four Mile, the realization of those synergies will be subject to the satisfactory resolution of a number of operational, technical, environmental, legal and regulatory matters associated with pumping liquors to and from Beverley, and using and processing that liquor through a plant that is designed, permitted and currently operating to process liquor from Beverley. The Beverley plant is owned and operated by Heathgate Resources Pty Ltd. Use of the Beverley plant for the Four Mile Project would also require agreement between Heathgate Resources Pty Ltd and the Quasar/Alliance joint venture.
- In addition to a successful FLT, continued drilling, mineral resource estimation, hydrological and hydro-geological studies, baseline studies, environmental and metallurgical testing would need to occur before project optimisation can be undertaken, and feasibility can be satisfactorily demonstrated. State and Commonwealth permitting would also need to be undertaken. These studies, tests and trials are likely to be undertaken over the next 18 months.
- Initial mineral resource estimate for northern area of FME commencing 2Q 2008.
- Alliance reported, in accordance with Clause 18 of the JORC Code (2004) an Exploration Target Range for the Four Mile East deposit of 13,500 to 21,500 contained tonnes (30 million to 47 million lb) U_3O_8 at average grades between 0.23% and 0.27% U_3O_8 using a cut-off grade of 0.05% U_3O_8 .

Maldon Gold Project, Victoria (Alliance 100%), MIN5146, EL3422

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

- The Union Hill exploration decline advanced 470 metres during the period, bringing the total advance since commencement to 1220 metres. The single heading decline is advancing parallel to the Eaglehawk Reef, the main past producing reef at Maldon, in order to access the Alliance South mineralisation for bulk sampling and trial processing through the Company's gold treatment plant.
- The decline is also being used as a platform for underground drilling of other targets to the west as well as for possible remnant mineralisation within the Eaglehawk Reef to the east.
- Further high grade gold intercepts from drilling at Ladies Reef and from the Alliance Lode.

Warrina Copper-Gold Project, South Australia (Alliance 100%), EL3533

The Warrina Project is located 60 km north east of Coober Pedy in South Australia. During the period the following exploration was undertaken:

- A diamond tail to test the Big Northeast (DDH BNE03) magnetic target was suspended after drilling 33 metres due to drilling difficulties. It is intended to complete this drill hole and carry out further drilling to test the Big Northeast gravity target as soon as a new drilling contractor can be engaged.

East Frome Base Metal Project, New South Wales (Alliance 100%), EL6836 (formerly ELA2937)

Exploration licence number 6836 (formerly ELA2937) located 45 km north west of Broken Hill in New South Wales was granted on 19 July 2007 for Group 1 (metallic minerals). During the period no field work was undertaken.

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', with a long horizontal flourish extending to the right.

Tony Lethlean
Director

Dated at Melbourne, Victoria this 13th day of March 2008

ALLI01/AUD



Chartered Accountants
& Business Advisers

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ALLIANCE RESOURCES LIMITED**

As lead auditor for the review of Alliance Resources Limited for the half-year ended 31 December 2007, 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.

M L Port
Partner
PKF
Chartered Accountants

13 March 2008
Melbourne

Tel: +61 3 9603 1700 | Fax: +61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

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PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

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 2007 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 13th day of March 2008



**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ALLIANCE RESOURCES LIMITED**

Chartered Accountants
& Business Advisers

We have reviewed the accompanying half-year financial report of Alliance Resources Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed 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 2007 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 Alliance Resources Limited's financial position as at 31 December 2007 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 2007 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

PKF
Chartered Accountants

M L Port
Partner

13 March 2008
Melbourne

Tel: +61 3 9603 1700 | Fax: +61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

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CONDENSED INCOME STATEMENT

For the half year ended 31 December 2007

Alliance Resources Limited

	CONSOLIDATED HALF YEAR	
Note	31 December 2007 \$	31 December 2006 \$
Revenue - Profit on Sale of Unlisted Investment	-	1,465,442
Revenue - Interest Income	461,351	209,690
Revenue - Other	-	1,997
Expenses:		
Administrative expenses	(684,008)	(503,004)
Depreciation	(37,681)	(21,093)
Directors fees	(111,323)	(81,796)
Writedown in value of investments	(594,710)	-
Minesite and rehabilitation	(346,409)	(314,696)
Occupancy expenses	(10,231)	(9,299)
Expense of share options granted	(1,582,305)	(126,467)
Profit/ (Loss) before income tax	(2,905,316)	620,774
Income tax attributable to operating profit/ (loss)	(122,008)	-
Net Profit/ (Loss) after income tax	<u>(3,027,324)</u>	<u>620,774</u>
Basic (loss) / earnings per share (cents)	<u>(1.17)</u>	<u>0.26</u>
Diluted (loss) / earnings per share (cents)	<u>(1.17)</u>	<u>0.26</u>

The accompanying notes form part of these financial statements

CONDENSED BALANCE SHEET

As at 31 December 2007

Alliance Resources Limited

		CONSOLIDATED	
	Note	31 December 2007 \$	30 June 2007 \$
Current Assets			
Cash and cash equivalents		29,201,214	5,166,290
Receivables		519,774	295,980
Inventories		57,000	-
Other		109,130	29,996
Total Current Assets		<u>29,887,118</u>	<u>5,492,266</u>
Non Current Assets			
Receivables		497,000	323,663
Other financial assets		870,732	1,872,135
Property, plant and equipment		770,341	767,116
Exploration and evaluation costs		14,547,404	10,784,588
Total Non Current Assets		<u>16,685,477</u>	<u>13,747,502</u>
Total Assets		<u>46,572,595</u>	<u>19,239,768</u>
Current Liabilities			
Payables		671,193	887,942
Provisions		45,961	45,530
Total Current Liabilities		<u>717,154</u>	<u>933,472</u>
Non Current Liabilities			
Deferred income		29,538	-
Provisions		600,000	600,000
Total Non Current Liabilities		<u>629,538</u>	<u>600,000</u>
Total Liabilities		<u>1,346,692</u>	<u>1,533,472</u>
Net Assets		<u>45,225,903</u>	<u>17,706,296</u>
Equity			
Contributed equity	4	54,925,902	25,676,591
Accumulated losses		(12,001,472)	(8,974,148)
Reserves		2,301,473	1,003,853
Total Equity		<u>45,225,903</u>	<u>17,706,296</u>

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2007

Alliance Resources Limited

CONSOLIDATED	Issued Capital	Accumulated Losses	Share Option Reserve	Asset Revaluation Reserve	TOTAL
	\$	\$	\$	\$	\$
At 1 July 2006	16,293,575	(8,511,441)	490,667	-	8,272,801
Cost of share options issued	-	-	126,467	-	126,467
Share issue costs	(143,766)	-	-	-	(143,766)
Total income and expense for the period recognised directly in equity	(143,766)	-	126,467	-	(17,299)
Loss for the period	-	620,774	-	-	620,774
Exercise of options	300,000	-	-	-	300,000
Shares issued during the period	8,565,689	-	-	-	8,565,689
Revaluation of investments	-	-	-	1,773,311	1,773,311
At 31 December 2006	25,015,498	(7,890,667)	617,134	1,773,311	19,515,276
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
Profit /(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

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2007

Alliance Resources Limited

	Note	CONSOLIDATED HALF YEAR	
		2007 \$	2006 \$
Cash flows from operating activities			
Receipts from operations		7,249	-
Payments to suppliers and employees		(1,532,472)	(120,189)
Payments for exploration costs		(3,762,816)	(2,543,270)
Interest received		288,014	209,690
Net cash flows used in operating activities		<u>(5,000,025)</u>	<u>(2,453,769)</u>
Cash flows from investing activities			
Proceeds from (transfer to) term & rental deposits		(173,457)	(900)
Payments for property, plant and equipment		(40,905)	(481,930)
Net cash flows used in investing activities		<u>(214,362)</u>	<u>(482,830)</u>
Cash flows from financing activities			
Proceeds from issues of shares		30,400,100	8,865,689
Payments for share issue costs		(1,150,789)	(143,766)
Net cash flows from financing activities		<u>29,249,311</u>	<u>8,721,923</u>
Net increase in cash held		24,034,924	5,785,324
Cash at beginning of the half year		<u>5,166,290</u>	<u>4,739,082</u>
Cash at end of the half year		<u><u>29,201,214</u></u>	<u><u>10,524,406</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 2007

Alliance Resources Limited

NOTE 1. BASIS OF PREPARATION OF 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 2007.

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 2007 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 2007.

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.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

For the half year ended 31 December 2007

Alliance Resources Limited

NOTE 2. SEGMENT INFORMATION

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

NOTE 3. DIVIDENDS

No dividends were declared or paid during the period.

NOTE 4. EQUITY SECURITIES ISSUED

	CONSOLIDATED	
	31 December 2007 \$	30 June 2007 \$
(a) - Issued and paid up capital:		
Issued and fully paid ordinary shares	54,925,902	25,676,591
(b) - Movements in contributed equity during the past six months were as follows:		
	Number	\$
Ordinary Shares		
Opening balance at 1 July 2007	248,024,285	25,676,591
Exercise of unlisted options - 20 cents	1,500,000	300,000
Exercise of unlisted options - 80 cents	125,000	100,000
Share Placement	23,077,000	30,000,100
Share issue costs	-	(1,150,789)
Total shares on issue at 31 December 2007	272,726,285	54,925,902

During the period the Economic Entity issued the following unlisted options:

- 3.4 million unlisted options to the employees and consultants of the Economic Entity. These options expire on 31 Oct 2010 and are exercisable at \$1.60 per share. The options were issued under the Employee Share Option shareholders Plan (ESOP) approved by at the AGM in November 2006; and
- 3.0 million unlisted options to Directors of the Economic Entity. These options are exercisable at \$1.60 per share and expire on 31 Oct 2010. The issue of the options was approved at the AGM on 29 November 2007.

The Economic Entity has the following unlisted options on issue at 31 December 2007:

Grant Date	Exercise Price \$	Number	Expiry Date
Director - 23 Nov 2005 ⁽²⁾⁽³⁾⁽⁴⁾	0.20	1,000,000	31 Oct 2008
Executive - 23 Nov 2005 ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	0.20	-	31 Oct 2008
Staff & Contractor - 2 Oct 2006 ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	0.80	450,000	31 Oct 2009
Staff & Contractors - 22 Oct 2007 ⁽⁴⁾⁽⁵⁾⁽⁷⁾	1.60	3,400,000	31 Oct 2010
Director - 29 Nov 2007 ⁽⁴⁾⁽⁸⁾⁽⁹⁾	1.60	3,000,000	31 Oct 2010
Total options on issue at 31 December 2007		7,850,000	

Notes:

(1) - During the Half-year to December 2007, 1,500,000 Executive options and 125,000 Staff & Contractor options were exercised and 50,000 Staff & Contractor options were cancelled.

NOTES TO AND FORMING PART OF THE CONDENSED FINANCIAL STATEMENTS

For the half year ended 31 December 2007

Alliance Resources Limited

Notes (continued):

- (2) - 33.33% Exercisable on issue, 33.33% exercisable after 30 June 2006 and 33.33% exercisable after 31 December 2006.
- (3) - The Options granted were approved by shareholders at the 2005 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.