Alliance Resources Limited

ABN 38 063 293 336

Interim Report - 31 December 2014

Alliance Resources Limited
Corporate directory
31 December 2014

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

Alliance Resources Limited
Directors' report
31 December 2014

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 2014.

Directors

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

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

Principal activities

During the financial half-year the principal continuing activities of the Consolidated Entity consisted of:
- the further development of and production from its interest in the Four Mile Uranium Project in South Australia; and
- in realising value from its exploration interests.

Review of operations

The loss for the Consolidated Entity after providing for income tax amounted to $385,369 (31 December 2013: $2,231,823).

During the period, Alliance Resources Limited released its Annual Report for the year to 30 June 2014. It also released Quarterly Activities Reports to 30 September 2014 and 31 December 2014, with significant events as follows:

Four Mile Uranium Project (Alliance 25%)

The Four Mile Project area is located 550 kilometres north of Adelaide in South Australia. Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE) is the registered holder of 25%[1] of ML6402 and EL5017. Quasar Resources Pty Ltd (Quasar) is the registered holder of the remaining 75% and is the manager of the Project.

During the half year, Alliance announced the following:

<u>Production</u>

Project production (100%) of uranium ore concentrate (UOC) for the six months ended 31 December 2014 of 1,256,143[2] pounds (lbs) at an estimated cash operating cost of $27.88 per lb[2] produced (excluding some shipping costs, marketing costs and royalties as no sales have occurred).

Total production (100%) of UOC since commencement of mining to 31 December 2014 is 1,664,299 lbs[2] at an estimated cash operating cost of $28.12 per lb[2] produced (excluding some shipping costs, marketing costs and royalties as no sales have occurred).

ACE estimates its share of UOC production from Four Mile as follows:

- From commencement to 30 November 2014, 376,594 lbs[2] (25% of production), and
- From 1 to 31 December 2014, 37,869 lbs (23.98% of production)[3] ;

being a total of 414,463 lbs3 with an estimated value as at 10 March 2015 of $21.6 million (assuming a uranium price of US$39.59/lb and 1 AUD = 0.76 USD), excluding royalties, convertor fees (if any), transportation costs and tax.

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[1] *Reducing to approximately 15% by 31 December 2015 in respect of the Four Mile Mine Development Area as a result of ACE electing not to contribute to the Four Mile 2015 Program and Budget. Refer ASX announcement dated 20 November 2014.*
[2] *Alliance estimate based on Quasar's production and financial reports and may be subject to revision.*
[3] *Alliance estimate revised down by 221 lbs based on Quasar's Four Mile Joint Venture Monthly Accounting Package December 2014.*

Shipping & Sales

The first two shipments of product from the Four Mile Project occurred in September and October 2014. Approximately 510,000 lbs of UOC was shipped to Cameco Corporation's facility at Blind River, Ontario, Canada, where it will undergo further processing prior to sale. ACE's share of UOC shipped is approximately 127,500 lbs.

Quasar has advised ACE that no sales of uranium ore concentrate have occurred and no sales are budgeted for 2015.

2015 Program and Budget

On 6 November 2014, Quasar, with ACE dissenting, approved by majority vote the Four Mile Program and Budget for the period 1 December 2014 to 31 December 2015 (2015 Program and Budget).

The 2015 Program and Budget is summarised as follows (all costs in AUD):

- Production of 2.640 million lbs of UOC.

- Cash expenditure of $107.75 million (ACE's share $26.937 million), including capital development of $23.73 million.

- Cash operating costs (includes mining, processing, shipping, marketing and royalties) of $31.83 per lb produced with development costs of $8.99 per lb produced (includes capital development). Total costs are estimated at $40.81 per lb.

As noted above, ACE voted against the 2015 Program and Budget.

ACE not contributing to 2015 Program and Budget

On 20 November 2014, Alliance announced that the Board of Directors of Alliance had reluctantly resolved that its wholly owned subsidiary, ACE, should elect not to contribute to the 2015 Program and Budget. This decision was forced upon Alliance due to Quasar's refusal to sell ACE's share of product from Four Mile (thereby depriving ACE of funds that it would have used to assist in defraying those expenses). The impacts of this decision are:

- ACE has no outgoings associated with Four Mile until 1 January 2016 (when it will recommence contributions unless it elects not to contribute to the 2016 program and budget); and

- ACE's interest in the Four Mile Mine Development Area will reduce from 25% to approximately 15% by 31 December 2015 (based on the 2015 Program and Budget forecast expenditure).

This decision does not preclude ACE participating in programs and budgets beyond 31 December 2015, albeit at its reduced equity at that time. The dilution only applies to the Four Mile Mine Development Area and, accordingly, ACE will maintain its 25% interest, and continue to be free carried for exploration, in the area outside the Four Mile Mine Development Area.

Refer to the ASX announcement dated 20 November 2014 for further details.

Termination of Sales and Marketing Agency

On 12 November 2014, ACE terminated Quasar's appointment as sales and marketing agent of ACE's share of Four Mile product and instituted proceedings in the Supreme Court of South Australia seeking a declaration that the termination is valid and orders that ACE's share of product be delivered up to ACE.

Contributions to Development

ACE paid $11,364,382 towards the cost of development of the Four Mile Project during the six months ended 31 December 2014 ($31,908,212 to-date). ACE disputes the validity of the cash calls made by Quasar and, in making each payments, reserved all of its rights. The payments have been made to preserve ACE’s participatory rights in the Four Mile Project.

Settlement of Legal Proceedings

On 18 July 2014 Alliance announced that, as part of the terms of the settlement of the Trade Practices Act litigation on 30 June against Quasar and Heathgate, ACE agreed to contribute towards costs incurred in the proceeding by Quasar and Heathgate. Those costs were as $1,610,990.75 and $2,946,000 respectively.

Costs were awarded to Quasar and Heathgate in the Court proceedings concerning access to books, and records pertaining to the Four Mile Project. Those costs were assessed by the Court and certified in December 2014. On 27 January 2015, ACE paid costs, including interest, to Heathgate and Quasar totalling $345,598.88 and $305,267.98 respectively.

Sale of ACE’s share in Four Mile

On 18 November 2014, Alliance announced that the sale process for its 25% interest in the Four Mile Uranium Project was slower than anticipated due to protracted negotiations on the form of confidentiality deed between the third parties and Quasar. The Board of Directors of Alliance resolved to suspend the sale process until the proceedings (referred to above) in the Supreme Court of South Australia have been finalised.

Post balance date, on 23 February 2015, Alliance announced that it had received an offer from Quasar to purchase all of ACE’s interest in the Four Mile Project, including ACE’s share of uranium oxide concentrates already mined, for $57.6 million. Alliance confirmed it had rejected the offer but remains open to selling ACE's interest in the Project should an appropriate offer be forthcoming from any interested party. Accordingly, the Four Mile Project assets are still considered to be held for sale for the purposes of the financial statements.

Monardes Copper-Uranium Project, Chile (Alliance 100% and right to earn 100%)

Airborne magnetic and radiometric survey over the eastern limb of the Monardes Basin identifies two sub-parallel uranium-anomalous units with a combined strike length of 9 km within Alliance's concessions.

Rock chip sampling results from eleven separate discontinuous outcrops of mineralised pebble conglomerate on the eastern anomalous unit have reported copper mineralisation over 1.8 km with 17 samples reporting copper (Cu) >3000ppm (including a highest Cu value of 3.36%) and 9 samples reporting uranium (U) >300ppm (including a highest U value of 2660ppm).

Preliminary rock chip sampling from five separate discontinuous outcrops of the western anomalous unit have reported copper mineralisation over 2.3km with 4 samples reporting Cu >3000ppm (including a highest Cu value of 3.34%).

The results confirm a previously unrecognised or underexplored exploration target requiring systematic follow up.

Sierra Cinchado/Sierra Del Potrillos, Chile (Alliance 100%)

Interpretation of an induced polarisation survey completed during the reporting period downgraded the potential of this area.

Cabeza de Vaca Copper-Gold Project, Chile

All concessions and option agreements to purchase concession were terminated during the reporting period. Alliance has no further interest in this project.

East Frome Copper-Base Metals Project, NSW

EL7210 and EL7636 were allowed to expire during the quarter. Alliance has no further interest in this project.

Entitlement Issue

On 2 December 2014 Alliance announced a non-renounceable rights issue to shareholders on the basis of 2 new shares for every 11 shares held at the record date at 8 cents per new share to raise approximately $4.96 million (before costs) (Rights Issue) plus one (1) attaching unquoted option for each new share subscribed for, exercisable into one Share at an exercise price of 15 cents per Share and expiring on 30 September 2015, for no additional consideration.

The Rights Issue was not underwritten and was made pursuant to a Prospectus lodged with ASX on 2 December 2014 and a Supplementary Prospectus lodged with ASX on 16 December 2014.

ITOCHU Deferred Share Rights

On 29 December 2014, Alliance announced that ITOCHU Corporation, through its wholly owned subsidiary NURA 3 Pty Ltd, had not elected to convert its deferred share rights granted under a deed dated 23 May 2012 into shares in either Alliance or ACE and those rights had lapsed.

Events after the reporting period

Events after the reporting period of the consolidated entity include:

On 23 January 2015, ACE received $577,869 from Quasar representing a refund of surplus payments it had made towards the Four Mile 2014 Program and Budget.

On 27 January 2015, Alliance announced that it had allotted and issued 31,416,910 ordinary shares and 31,416,910 unquoted options under the Rights Issue (inclusive of shortfall placement to date) which raised a total of $2,513,352.80 (before issue costs).

Under the terms of the Rights Issue, the Directors were entitled to place the shortfall of 30,614,419 shares plus attaching option within 3 months of the Rights Issue closing date (19 April 2015) and, on 4 March 2015, Alliance announced that it had placed 27,602,200 ordinary shares (plus attaching option) at 8 cents per share (being the same the issue price under the Rights Issue) to raise a further $2.1 million after costs. This final Shortfall Placement brings the total applications received under the Rights Issue to 59,644,110 shares ($4,771,529) and represents 96.1% of the total Rights Issue securities offered of 62,034,123 shares ($4,962,507).

On 23 February 2015, Alliance announced that it had received an offer from Quasar to purchase all of ACE's interest in the Four Mile Project. As detailed above in "Sale of ACE's Share in Four Mile" this offer was rejected.

On 24 February 2015, Alliance announced an updated Exploration Target for the Four Mile Northeast (FMNE) uranium prospect of 14 million tonnes of mineralisation at a grade range 0.23% to 0.30% uranium oxide (U_3O_8), containing 32,000 to 35,500 tonnes U_3O_8 (70 to 80 million lb U_3O_8)[4] . The potential quantity and grade is conceptual in nature. The main change resulting from the update is a significant increase in the lower limit of the contained tonnes U_3O_8 estimate due primarily to the higher density of drilling allowing more 50m x 50m blocks to be identified as mineralised and included in the target estimate. The upper tonnes limit of the Exploration Target is not significantly impacted. An increase in average grade results from an increase in the cut-off grade thickness used from 0.03 m% U_3O_8 to 0.1 m% U_3O_8. The Exploration Target of in situ uranium endowment takes no account of geological complexity, possible mining method or metallurgical recovery factors. Refer to the ASX announcement dated 24 February 2015 for further details, including the Competent Persons consent.

[4] *Note: Grade x thickness (GT) cutoff of mineralized drill hole intercepts of 0.5m x 0.03% U_3O_8. A cut-off of 0.03m% U_3O_8 applied to polygon and block GT values for tonnage calculations. Mineralisation rounded to the nearest 1 million tonnes. Grades rounded to the nearest two decimal places. Contained metal rounded to the nearest 500 t or 1 Mlb.*

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 on the following page.

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

On behalf of the Directors

Anthony Lethlean
Chairman - Audit & Risk Committee

16 March 2015
Melbourne

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

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

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 2014, 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, 16 March 2015

Contents

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 16 March 2015. 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 2014

	Note	Consolidated 31 Dec 2014 $	Consolidated 31 Dec 2013 $
Revenue	3	191,741	446,976
Expenses			
Depreciation and amortisation expense		(1,808)	(3,569)
Share of loss of associate and joint venture accounted for using the equity method		-	(564,235)
Other expenses	4	(1,097,548)	(68,365)
Occupancy expenses		(16,509)	(33,091)
Administration expenses		(631,216)	(611,845)
Legal expenses		91,190	(1,180,949)
Director fees		(168,423)	(139,480)
Company secretarial		(61,589)	(64,434)
Marketing expenses		(11,207)	(12,831)
Deferred share rights and option	8	1,473,183	-
Four Mile Project - Sale Expenses		(153,183)	-
Loss before income tax expense		(385,369)	(2,231,823)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Alliance Resources Limited		(385,369)	(2,231,823)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain / (Loss) on the revaluation of available for sale financial assets, net of tax		(1,144,000)	-
Other comprehensive income for the half-year, net of tax		(1,144,000)	-
Total comprehensive income for the half-year attributable to the owners of Alliance Resources Limited		(1,529,369)	(2,231,823)
		Cents	**Cents**
Basic earnings per share	10	(0.11)	(0.65)
Diluted earnings per share	10	(0.11)	(0.65)

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 2014

	Note	Consolidated 31 Dec 2014 $	Consolidated 30 Jun 2014 $
Assets			
Current assets			
Cash and cash equivalents		216,646	16,672,698
Trade and other receivables		55,849	68,515
Other		59,836	124,096
		332,331	16,865,309
Non-current assets classified as held for sale		25,143,483	12,822,778
Total current assets		25,475,814	29,688,087
Non-current assets			
Receivables	5	870,289	865,750
Available-for-sale financial assets	7	271,634	1,415,634
Property, plant and equipment		7,152	7,633
Exploration and evaluation		484,079	2,030,733
Total non-current assets		1,633,154	4,319,750
Total assets		27,108,968	34,007,837
Liabilities			
Current liabilities			
Trade and other payables		2,235,348	7,328,435
Employee benefits		57,103	70,482
Provisions		30,000	50,000
Loan - Gandel Metals		1,278,184	-
Deferred share rights and option	7 & 8	-	1,473,183
		3,600,635	8,922,100
Liabilities directly associated with assets classified as held for sale		840,225	815,750
Total current liabilities		4,440,860	9,737,850
Non-current liabilities			
Employee benefits		89,689	85,450
Total non-current liabilities		89,689	85,450
Total liabilities		4,530,549	9,823,300
Net assets		22,578,419	24,184,537
Equity			
Issued capital		98,841,272	98,918,022
Reserves		(780,191)	363,809
Accumulated losses		(75,482,662)	(75,097,294)
Total equity		22,578,419	24,184,537

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 2014

Consolidated	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2013	98,918,022	(58,119,104)	53,900	40,852,818
Loss after income tax expense for the half-year	-	(2,231,823)	-	(2,231,823)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	(2,231,823)	-	(2,231,823)
Balance at 31 December 2013	98,918,022	(60,350,927)	53,900	38,620,995

Consolidated	Contributed equity $	Accumulated losses $	Reserves $	Total equity $
Balance at 1 July 2014	98,918,022	(75,097,293)	363,809	24,184,538
Loss after income tax expense for the half-year	-	(385,369)	-	(385,369)
Other comprehensive income for the half-year, net of tax	-	-	(1,144,000)	(1,144,000)
Total comprehensive income for the half-year	-	(385,369)	(1,144,000)	(1,529,369)
Transactions with owners in their capacity as owners:				
Shares Issue Costs	(76,750)	-	-	(76,750)
Balance at 31 December 2014	98,841,272	(75,482,662)	(780,191)	22,578,419

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 2014

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Cash flows from operating activities		
Payments to suppliers and employees	(1,495,468)	(2,819,238)
Interest received	164,766	446,976
Legal fees per Settlement Deed	(4,556,991)	-
Net cash used in operating activities	(5,887,693)	(2,372,262)
Cash flows from investing activities		
Payments for performance bond	(4,475)	(815,750)
Payments for exploration and JV costs	(477,685)	(386,968)
Contribution to Joint Venture Development / non-current asset classified as held for sale	(11,364,382)	-
Net cash used in investing activities	(11,846,542)	(1,202,718)
Cash flows from financing activities		
Proceeds from borrowings	1,278,184	-
Net cash from financing activities	1,278,184	-
Net decrease in cash and cash equivalents	(16,456,051)	(3,574,980)
Cash and cash equivalents at the beginning of the financial half-year	16,672,697	25,358,979
Cash and cash equivalents at the end of the financial half-year	216,646	21,783,999

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 2014 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 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

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

Any significant impact on the accounting policies of the Consolidated Entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 January 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

Parts A to C of these amendments is applicable to annual reporting periods beginning on or after 1 July 2014 and affects the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination. The adoption of these amendments from 1 January 2015 will not have a material impact on the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2014-3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-3 amends AASB 11 Joint Arrangements and requires an acquisition of an interest in a joint operation, being an activity that constitutes a business, to be accounted for and presented using AASB 3 (and other relevant accounting standards) business combination principles and disclosures. The adoption of these amendments from 1 January 2016 will not have a material impact on the consolidated entity.

AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation
These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of these amendments from 1 January 2016 will not have a material impact on the consolidated entity.

IFRS 15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 January 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Going concern
The consolidated entity has incurred a loss after tax for the half year ended 31 December 2014 of $385,369, had net cash outflows from operating activities of $5,887,693 and had net cash outflows from investing activities of $11,846,542. At 31 December 2014 the consolidated entity had cash and cash equivalents of $216,646. These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity’s ability to continue as a going concern.

The financial statements have been prepared on the basis that the consolidated entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

1. As detailed in note 7, subsequent to the end of the reporting period, a total of $4,771,529 was raised via a rights issue and subsequent short-fall placement.
2. As at 10 March 2015, the company had cash at bank of $2.7 million.
3. The consolidated entity resolved not to contribute to the 2015 program and budget for the Four Mile Project. $11.4 million was contributed to the project for the period ended 31 December 2014.
4. The directors have prepared budgets which demonstrate that, based on the funds raised post period end, and the reduced expenditure commitments for the coming twelve months, that the consolidated entity has sufficient funds available to meet its commitments for at least twelve months from the date of signing this report.

Note 2. Operating segments

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

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

Note 3. Revenue

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Interest	171,741	446,976
Other revenue	20,000	-
Total Revenue	191,741	446,976

Note 4. Other expenses

	Consolidated	
	31 Dec 2014 $	31 Dec 2013 $
Loss before income tax includes the following specific expenses:		
Tenement costs expensed	1,092,491	-
Other	5,057	-
Total Other expenses	1,097,548	-

Note 5. Non-current assets - receivables

	Consolidated	
	31 Dec 2014 $	30 Jun 2014 $
Term Deposits	870,289	865,750

Note 6. Equity - dividends

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

Note 7. 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 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares available for sale	1,144,000	-	-	1,144,000
Total assets	1,144,000	-	-	1,144,000

Consolidated - 30 Jun 2014	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Ordinary shares available for sale	1,415,634	-	-	1,415,634
Total assets	1,415,634	-	-	1,415,634
Liabilities				
Other financial liabilities	-	1,473,183	-	1,473,183
Total liabilities	-	1,473,183	-	1,473,183

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

Note 8. ITOCHU Transaction

As announced on 29 December 2014, ITOCHU Corporation did not exercise its Deferred Share Rights and Options and accordingly, the Deferred Share Rights and Options financial liability has been reversed as at 31 December 2014 (being the expiry date of the rights and options).

Note 9. Events after the reporting period

On 23 January 2015, ACE received $577,869 from Quasar representing a refund of surplus payments it had made towards the Four Mile 2014 Program and Budget.

On 27 January 2015, Alliance announced that it had allotted and issued 31,416,910 ordinary shares and 31,416,910 unquoted options under the Rights Issue (inclusive of shortfall placement to date) which raised a total of $2,513,352.80 (before issue costs).

Under the terms of the Rights Issue, the Directors were entitled to place the shortfall of 30,614,419 shares plus attaching option within 3 months of the Rights Issue closing date (19 April 2015) and, on 4 March 2015, Alliance announced that it had placed 27,602,200 ordinary shares (plus attaching option) at 8 cents per share (being the same the issue price under the Rights Issue) to raise a further $2.1 million after costs. This shortfall placement brought the total applications received under the Rights Issue to 59,644,110 shares ($4,771,529) and represents 96.1% of the total Rights Issue securities offered of 62,034,123 shares ($4,962,507).

On 23 February 2015, Alliance announced that it had received an offer from Quasar to purchase all of ACE's interest in the Four Mile Project, including ACE's share of uranium oxide concentrates already mined, for $57.6 million. Alliance rejected that offer but remains open to selling ACE's interest in the Project should an appropriate offer be forthcoming from any interested party. Accordingly, the Four Mile Project assets are still considered to be held for sale for the purposes of the financial statements.

On 24 February 2015, Alliance announced an updated Exploration Target for the Four Mile Northeast (FMNE) uranium prospect of 14 million tonnes of mineralisation at a grade range 0.23% to 0.30% uranium oxide (U_3O_8), containing 32,000 to 35,500 tonnes U_3O_8 (70 to 80 million lb U_3O_8)[5]. The potential quantity and grade is conceptual in nature. The main change resulting from the update is a significant increase in the lower limit of the contained tonnes U_3O_8 estimate due primarily to the higher density of drilling allowing more 50m x 50m blocks to be identified as mineralised and included in the target estimate. The upper tonnes limit of the Exploration Target is not significantly impacted. An increase in average grade results from an increase in the cut-off grade thickness used from 0.03 m% U_3O_8 to 0.1 m% U_3O_8. The Exploration Target of in situ uranium endowment takes no account of geological complexity, possible mining method or metallurgical recovery factors. Refer to the ASX announcement dated 24 February 2015 for further details, including the Competent Persons consent.

No other matter or circumstance has arisen since 31 December 2014 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.

[5] *Note: Grade x thickness (GT) cutoff of mineralized drill hole intercepts of 0.5m x 0.03% U_3O_8. A cut-off of 0.03m% U_3O_8 applied to polygon and block GT values for tonnage calculations. Mineralisation rounded to the nearest 1 million tonnes. Grades rounded to the nearest two decimal places. Contained metal rounded to the nearest 500 t or 1 Mlb.*

Note 10. Earnings per share

	Consolidated	
	31 Dec 2014 $	**31 Dec 2013 $**
Loss after income tax attributable to the owners of Alliance Resources Limited	(385,369)	(2,231,823)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	341,172,309	341,172,309
Weighted average number of ordinary shares used in calculating diluted earnings per share	341,172,309	341,172,309
	Cents	**Cents**
Basic earnings per share	(0.11)	(0.65)
Diluted earnings per share	(0.11)	(0.65)

Alliance Resources Limited
Directors' declaration
31 December 2014

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes thereto give a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 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

16 March 2015
Melbourne

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

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

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Alliance Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alliance Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alliance Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

James Mooney
Partner

Melbourne, 16 March 2015