

ALLIANCE SEMICONDUCTOR CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MARCH 31, 2011

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MARCH 31, 2010

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors and
Stockholders of Alliance Semiconductor Corporation

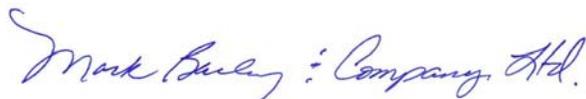
We have reviewed the accompanying consolidated balance sheet of Alliance Semiconductor Corporation as of March 31, 2011, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying March 31, 2011 consolidated financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The consolidated financial statements for the year ended March 31, 2010, were audited by us, and we expressed an unqualified opinion on them in our report dated August 12, 2010, but we have not performed any auditing procedures since that date.



Mark Bailey & Company, Ltd.
Reno, Nevada

November 23, 2011

ALLIANCE SEMICONDUCTOR CORPORATION
Consolidated Balance Sheets
March 31, 2011 (Unaudited) and 2010 (Audited)

<u>ASSETS</u>	<u>2011</u> <u>(Unaudited)</u>	<u>2010</u> <u>(Audited)</u>
<u>Current assets</u>		
Cash	\$ 937,124	\$ 2,429,051
Other current assets	-	12,400
Total current assets	937,124	2,441,451
Total assets	\$ 937,124	\$ 2,441,451
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 38,061	\$ 43,658
Total liabilities	38,061	43,658
<u>Stockholders' equity</u>		
Common stock (41,222,289 shares issued and 33,047,882 shares outstanding at March 31, 2011 and 2010)	412,223	412,223
Additional paid-in capital	194,546,805	194,546,805
Treasury stock (at cost)	(68,658,045)	(68,658,045)
Accumulated deficit	(125,401,920)	(123,903,190)
Total stockholders' equity	899,063	2,397,793
Total liabilities and stockholders' equity	\$ 937,124	\$ 2,441,451

See accompanying notes and independent accountant's review report.

ALLIANCE SEMICONDUCTOR CORPORATION
Consolidated Statement of Operations
For the period ending March 31, 2011 (Unaudited) and 2010 (Audited)

	<u>2011</u> <u>(Unaudited)</u>	<u>2010</u> <u>(Audited)</u>
Interest and dividends	\$ -	\$ 462,063
General and administrative expense	<u>(598,738)</u>	<u>- (521,762)</u>
Loss from operations	(598,738)	(59,699)
Other Income/(Expense)		
Other income (expense)	108,134	(1,670)
Other than temporary loss on investment	<u>-</u>	<u>(5,949,000)</u>
Total other income / (loss)	<u>108,134</u>	<u>(5,950,670)</u>
Loss before income tax	(490,604)	(6,010,369)
(Provision)/benefit for income tax	<u>(16,690)</u>	<u>2,358,439</u>
Loss from continuing operations	<u>(507,294)</u>	<u>(3,651,930)</u>
Net Loss	<u>\$ (507,294)</u>	<u>\$ (3,651,930)</u>

See accompanying notes and independent accountant's review report.

ALLIANCE SEMICONDUCTOR CORPORATION
Consolidated Statement of Changes in Stockholders' Equity
March 31, 2011 (Unaudited) and 2010 (Audited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at March 31, 2010	41,222,289	\$ 412,223	\$ 194,546,805	\$ (68,658,045)	\$ (123,903,190)	\$ 2,397,793
Net income					(507,294)	(507,294)
Cash dividends					(991,436)	(991,436)
Balance at March 31, 2011	41,222,289	\$ 412,223	\$ 194,546,805	\$ (68,658,045)	\$ (125,401,920)	\$ 899,063

See accompanying notes and independent accountant's review report.

ALLIANCE SEMICONDUCTOR CORPORATION
Consolidated Statement of Cash Flows
March 31, 2011 (Unaudited) and 2010 (Audited)

	2011	2010
<u>Cash flows from operating activities</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Net loss	\$ (507,294)	\$ (3,651,930)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss on investments	-	5,949,000
Changes in assets and liabilities:		
Other assets	12,400	182,000
Accounts payable	(5,597)	40,000
Income tax payable	-	(927,000)
Net cash provided by/(used in) operating activities	<u>(500,491)</u>	<u>1,592,070</u>
<u>Cash flows from investing activities</u>		
Net cash provided by investing activities	<u>-</u>	<u>-</u>
<u>Cash flows from financing activities</u>		
Dividends paid	<u>(991,436)</u>	<u>-</u>
Net cash used in financing activities	<u>(991,436)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	(1,491,927)	1,592,070
Cash and cash equivalents at March 31, 2010 and 2009	<u>2,429,051</u>	<u>836,981</u>
Cash and cash equivalents at March 31, 2011 and 2010	<u><u>\$ 937,124</u></u>	<u><u>\$ 2,429,051</u></u>
Cash paid for taxes, net	\$ 16,690	\$ -
Cash paid for interest	\$ -	\$ -

See accompanying notes and independent accountant's review report.

ALLIANCE SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended March 31, 2011 and 2010

Note 1. Alliance Semiconductor and our Significant Accounting Policies

The Company's primary activities consist of managing cash balances and maximizing return to shareholders.

In line with these activities, the Board authorized the distribution of a significant portion of our cash surplus not needed for expected future operations or known liabilities, including contingent claims. The Company paid dividends of \$991,436 in fiscal 2011 and did not pay any dividends in fiscal 2010.

Principles of Consolidation

The consolidated financial statements include the amounts of Alliance and its wholly-owned subsidiaries.

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Alliance Semiconductor and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the period that they are determined to be necessary. These estimates include the realization of deferred tax assets and valuations associated with our short term investments, among others. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid money market instruments with banks and financial institutions. We consider all highly liquid investments with maturity from the date of purchase of three months or less to be cash equivalents.

Fair Value

The carrying amount reported in the balance sheet for cash and accounts payable approximates fair value because of the immediate or short-term maturity of these financial instruments.

Income Taxes

We account for our deferred income taxes in accordance with the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and income tax bases of the assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Potential tax benefits from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

ALLIANCE SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended March 31, 2011 and 2010

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line in the accompanying consolidated statement of operations. Accrued interest and penalties are included within the related tax liability line in the consolidated balance sheet.

The Company has not recognized a liability related to any uncertain tax positions. Accordingly, a reconciliation of the beginning and ending amount of unrecognized tax benefits has not been provided since there is no unrecognized benefit or liability.

Concentration of Risks

Financial instruments that potentially subject us to concentrations of credit risk consist principally of cash.

Cash is deposited with one major bank in the United States that exceeds federally insured limits. We actively monitor the on-going credit worthiness of the financial institution as part of our risk management policies. We have not experienced any significant losses due to this concentration, nor do we expect any significant losses in the future.

Recently Issued Accounting Standards

There are no recently issued accounting standards that are likely to have a material impact on our financial position, results of operations, or cash flows.

Note 2. Provision for Income Taxes

At March 31, the provision for or benefit from income taxes consisted of the following:

	<u>2011</u> (Unaudited)	<u>2010</u> (Audited)
Current		
Federal	\$ 15,335	\$ (773,215)
State	<u>1,355</u>	<u>(1,584,000)</u>
Total Current	<u>\$ 16,690</u>	<u>\$ (2,357,215)</u>
Deferred		
Federal	\$ -	\$ -
State	<u>-</u>	<u>-</u>
Total Deferred	<u>\$ -</u>	<u>\$ -</u>
Total Tax (Benefit)	<u>\$ 16,690</u>	<u>\$ (2,357,215)</u>

ALLIANCE SEMICONDUCTOR CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years ended March 31, 2011 and 2010

At March 31, gross deferred tax assets and liabilities consisted of the following:

	<u>2011</u>	<u>2010</u>
	(Unaudited)	(Audited)
Deferred Tax Assets		
NOL.....	\$ 31,413,410	\$ 31,301,190
Capital Loss Carryforwards.....	9,018,849	13,372,801
Tax Credits	7,468,817	7,070,381
Unrealized Loss on Investments.....	<u>23,948,275</u>	<u>23,948,275</u>
Gross deferred tax assets.....	<u>\$ 71,849,351</u>	<u>\$ 75,692,647</u>
Less: Valuation Allowance.....	<u>\$(71,849,351)</u>	<u>\$(75,692,647)</u>
Net deferred tax assets.....	<u>\$ -</u>	<u>\$ -</u>

At March 31, benefit for income taxes differs from the amount obtained by applying the U.S. federal statutory rate to income before income taxes as follows:

	<u>2011</u>	<u>2010</u>
	(Unaudited)	(Audited)
Tax rate reconciliation		
Federal statutory rate	35 %	35 %
Tax at federal statutory rate	\$ (171,643)	\$(2,037,255)
State taxes, net of federal benefit.....	-	(1,045,000)
Permanent differences	543	(51,222)
Audit settlement.....	-	3,503,000
Investment loss	-	2,082,150
Change in valuation allowance	3,843,295	(4,311,647)
Other, net	<u>(3,655,505)</u>	<u>(497,280)</u>
Total.....	<u>\$ 16,690</u>	<u>\$(2,357,254)</u>

The Company settled its audit with the Internal Revenue Service for the fiscal years 2006 & 2007 as of January 2010. Therefore, the fiscal years from 2008 through 2011 remain subject to IRS examination. The Company has also settled its most recent exam with the California Franchise Tax Board.

As of March 31, 2011, the Company had a federal net operating loss carryforwards of approximately \$87.1 million and cumulative state net operating loss carryforwards of approximately \$17.6 million. The federal net operating loss carryforwards will expire beginning in fiscal 2025 and the state net operating loss carryforwards will begin to expire in fiscal 2014. As of March 31, 2011, the Company had federal research and experimentation tax credit carryforwards of approximately \$3.7 million that will begin to expire in fiscal 2025; federal alternative minimum tax credit carryforwards of approximately \$1.6 million that may be carried over indefinitely and federal foreign tax credit carryforwards of approximately \$2.5 million that will begin to expire in fiscal 2017. The research and experimentation tax credit carryforward attributable to states is approximately \$1.2 million, of which approximately all is attributable to the State of California and may be carried over indefinitely. Utilization of net operating losses and tax credit carryforwards may be subject to limitations due to ownership changes and other limitations provided by the Internal Revenue Code and similar state provisions. If such a limitation applies, the net operating loss and tax credit carryforwards may expire before full utilization.

Note 3. Subsequent Events

There have been no subsequent events requiring disclosure. Subsequent events were evaluated through November 23, 2011, the date these financial statements were issued.