ALLIANCE RESOURCES LIMITED

2017 ANNUAL REPORT

Contents

Corporate Directory

Directors

Ian J Gandel *Chairman*

Stephen F Johnston *Managing Director*

Anthony D Lethlean *Director*

Company Secretary

Robert P Tolliday

Notice of annual general meeting

The details of the annual general meeting of Alliance Resources Limited are:
10.00am, 30 November 2017
HWL Ebsworth Lawyers
Level 26, 530 Collins Street
Melbourne VIC 3000

Registered Office

Suite 3, 51 - 55 City Road
Southbank Victoria 3006
Telephone +61 3 9697 9090
Facsimile +61 3 9697 9091

Share Registry

Computershare Investor Services
GPO Box 2975
Melbourne, VIC 3001
Telephone 1300 850 505
Facsimilie +61 3 9473 2500

Auditor

BDO East Coast Partnership

Collins Square, Tower 4, Level 18

727 Collins Street
Melbourne, Vic 3000

Solicitors

HWL Ebsworth Lawyers
Level 26, 530 Collins Street
Melbourne, Vic 3000

Bankers

Australia and New Zealand Banking Group Limited (ANZ)

ASX Code

Alliance Resources Limited shares are listed on the Australian Securities Exchange (ASX code: AGS)

Website allianceresources.com.au
E-mail info@allianceresources.com.au

Chairman's address

Dear Fellow Shareholder,

It gives me great pleasure to present the 2017 Annual Report for Alliance Resources Limited (ASX: AGS), a year in which we have started a fresh chapter in our Company's life, switching our focus to a new project with strong potential and producing some exciting results to date.

Having disposed of our interest in the Four Mile Uranium Project in 2015, we spent some time searching for a flagship asset with upside potential.

In September, we announced the acquisition of a 51% interest in the Wilcherry Project in South Australia from Trafford Resources Pty Ltd, a subsidiary of Tyranna Resources Limited (ASX: TYX). This deal presented Alliance with an opportunity to lead a joint venture on an advanced project in the mineral-rich Gawler Craton that has been the subject of about $55 million in exploration for the modest price of $2 million. Our aim principally is to gain exposure to a gold project with near-term potential for mineral resources, as well as promising regional exploration potential for base metals. We acquired a 17.9% interest in TYX at the same time.

The Weednanna gold prospect has a strike length of 1.3km and some exceptionally high-grade zones that are open in at least one direction. Our approach is to systematically review past exploration and to initially focus on three high grade areas (Targets 1, 2 and 3) and to drill out those areas in sufficient detail to enable a mineral resource estimate to be established. Our results at Weednanna during the year included bonanza gold grades of:

- 49m @ 6.3 g/t Au from 45m (incl. 21m @ 10.7 g/t Au from 48m)
- 14m @ 36.1 g/t Au from 118m (incl. 5m @ 95.6 g/t Au from 120m)
- 16m @ 7.7 g/t Au from 81m (incl. 8m @ 12.9 g/t Au from 88m)
- 60m @ 5.7 g/t Au from 47m (incl. 9m @ 15.6 g/t Au from 63m and 8m @ 13.4 g/t Au from 99m)

Recent follow-up drilling at Weednanna was completed in late June and this has enhanced our understanding of the geology and the gold mineralisation.

The 2012 discovery of high grade tin at Zealous by Trafford indicated the presence of a reduced granite intrusion into sediments, including multiple fold-repeated horizons of dolomite (a host rock for replacement tin deposits). Zealous potentially represents a new and significant tin province in South Australia. We attempted reverse circulation (RC) drilling at Zealous late in June but encountered deep clay regolith so made a decision to suspend the RC drilling in favor of diamond drilling. This program was completed in late July and we are waiting on results.

Alliance has other projects in Western Australia's Eastern Goldfields and in New South Wales which are prospective for gold and nickel. In WA, the Nepean South Project, 26km southwest of Coolgardie, captures the interpreted southern extension of the ultramafic sequence hosting the now exhausted Nepean Nickel Mine. We have defined two areas of gold-in-soil anomalism, and the size and concentration of these gold anomalies is potentially indicative of a primary gold occurrence. We shall undertake a final phase of auger soil sampling at Nepean South in 2017 to define targets for drilling.

Having completed two capital returns totaling 14 cents per share to our shareholders in recent years, Alliance remains well funded to advance its exploration projects in 2018.

We also completed a share consolidation based on one share for every four shares held. This was approved by shareholders at the 2016 AGM and completed in December. We believed this would put us on par with our peers in terms of issued capital and eliminate some of the disadvantages of having a large number of shares on issue.

I would like to thank our Shareholders for their support in these activities.

It has been my first full year as Alliance's Chairman, having taken over from John Dunlop in June 2016, and I thank my fellow Board members for their support over the past year. I also thank our Management team and staff for their efforts as we have worked to successfully shift Alliance's focus to new projects.

The year ahead holds plenty of promise for Alliance as we further explore the Wilcherry Project as well as others in our portfolio, and I look forward to sharing our successes with you.

Ian Gandel
Chairman

Review Of Operations

Alliance Resources Limited (ASX: AGS, "Alliance" or "the Company") is an ASX-listed gold and base metals explorer with projects in South Australia, Western Australia and New South Wales.

WILCHERRY PROJECT, SOUTH AUSTRALIA (Alliance 51%)

During 2017, Alliance moved its focus to the Wilcherry Project in South Australia, after acquiring 51% of the project through its wholly-owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE) from Trafford Resources Pty Ltd, a subsidiary of Tyranna Resources Limited (ASX: TYX) for $2 million.

The Wilcherry Project is in the southern part of the mineral-rich Gawler Craton in the northern Eyre Peninsula and comprises seven exploration licences for 1198 km^2. Post-reporting, Trafford advised that it has elected not to contribute to the Wilcherry Project Joint Venture (WPJV) Programme and Budget (P&B) for the period 1 July 2017 to 30 June 2018. Alliance's interest in the WPJV is expected to increase from 51% to approximately 77.5% over that period subject to sole funding the $3.2 million in the P&B.

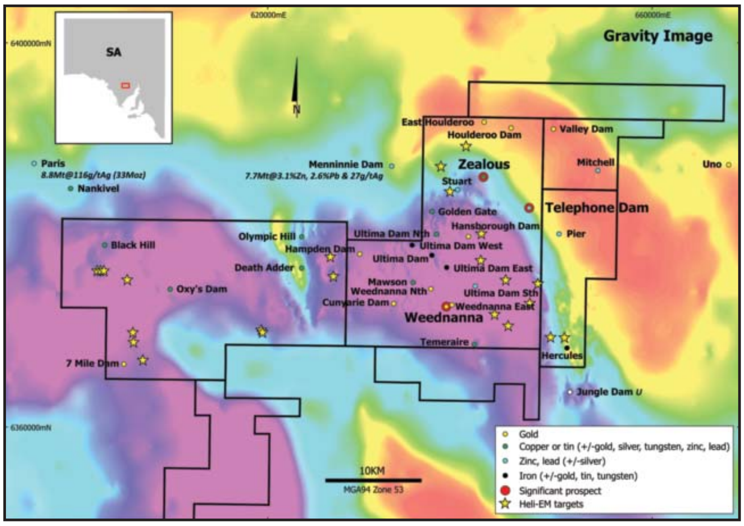

Figure 1

Wilcherry is prospective for gold, tin, copper, zinc, lead, silver, iron, bismuth, tungsten and uranium in a variety of mineralisation styles. There are 28 existing exploration targets within the Wilcherry Project area. The highest priority exploration targets at the Wilcherry Project are the Zealous tin and base metals prospect and the Weednanna gold prospect (Figure 1).

During the year, a regional helicopter borne electromagnetic (HEM) survey was completed for a total of 1,795 line km. The high-resolution HEM survey was completed using the XciteTM system to test for conductors associated with massive sulphide base metal deposits. The survey was initially flown on 800 metre spaced east-west oriented lines and infilled to 400 metre line spacing in areas of significant conductivity. Results received have been highly encouraging with many late-time conductors identified.

High powered moving-loop electromagnetic (MLEM) surveys were completed at the Zealous and Telephone Dam prospects and Targets 1, 2, 5 and 6 by Gap Geophysics Australia Pty Ltd to follow-up first order conductors from the HEM survey. A total of 52 traverse lines were completed for 80.3 line km of surveying (855 stations).

Weednanna Gold Prospect

Weednanna is the most advanced gold prospect at the Wilcherry Project. Historic exploration completed by previous explorers Acacia Resources, Aquila, and Trafford Resources targeted primary gold beneath coincident calcrete soil anomalies and magnetic highs. This work identified a calc-silicate and magnetite skarn system containing discrete intersections of high-grade gold.

During the year, Alliance commenced a program of re-logging all available RC chips and diamond core from Weednanna with the objectives of identifying structural and lithological controls on the distribution of gold, constructing a 3D geological model of the prospect, and planning further exploration with a view towards defining a mineral resource.

During the re-logging program it has become apparent that due to the high metamorphic grade of the rocks at Weednanna, deformation is ductile and likely to occur along bedding planes. As a consequence, the distribution of gold may be high-grade and discrete in cross-section, but laterally extensive in strike.

Two drilling programs have been completed at Weednanna during 2017 (49 holes for 7,961m) initially in three areas of discrete historic high grade intercepts (named Targets 1, 2 and 3), to confirm this interpretation (Figure 2).

Thirty four holes reported intercepts >1 g/t Au. Ten holes reported grade x thickness >50 g/t x m, including:

- 17WDRC003 (T1): 49m @ 6.3 g/t Au from 45m (incl. 21m @ 10.7 g/t Au from 48m)[1]
- 17WDRC011 (T2): 10m @ 6.8 g/t Au from 79m (incl. 3m @ 15.5 g/t Au from 81m)[1]
- 17WDRC012 (T2): 2m @ 61.1 g/t Au from 167m[1]
- 17WDRC013 (T2): 7m @ 11.1 g/t Au from 82m (incl. 4m @ 17.6 g/t Au from 84m)[1]
- 17WDRC017 (T3): 14m @ 36.1 g/t Au from 118m (including 5m @ 95.6 g/t Au from 120m) and 7m @ 7.4 g/t Au from 147m (including 1m @ 40.0 g/t Au from 149m)[1]
- 17WDRC029 (T1): 30m @ 3.0 g/t Au from 53m[2]

Review Of Operations

- 17WDRC030 (T1): 16m @ 7.7 g/t Au from 81m (incl. 8m @ 12.9 g/t Au from 88m)[2]
- 17WDRC031 (T1): 41m @ 1.6 g/t Au from 44m[2]
- 17WDRC032 (T1): 60m @ 5.7 g/t Au from 47m (incl. 9m @ 15.6 g/t Au from 63m)[2]
- 17WDRC046 (T3): 7m @ 12.2 g/t Au from 153m (incl. 4m @ 18.8 g/t Au from 154m)[2]

1. Refer to Alliance ASX announcements dated 3 April 2017 and 10 April 2017.
2. Refer to Alliance ASX announcement dated 28 August 2017.

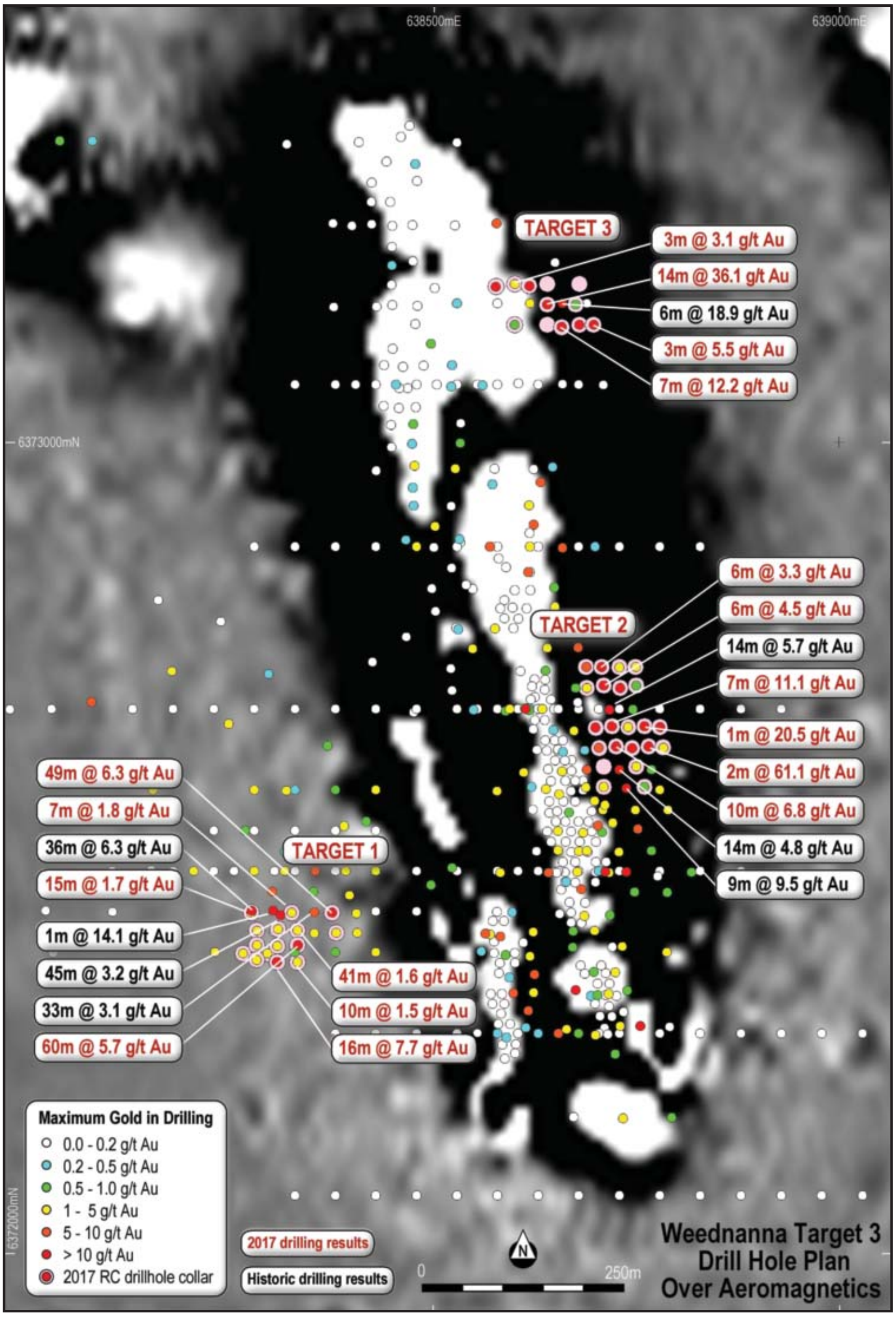

Figure 2

Review Of Operations

At Target 1, 9 holes (17WDRC025-033) were drilled on three north oriented traverses to better define the geometry of the gold mineralisation. This drilling intersected moderate to strong chlorite-sericite alteration with variable disseminated arsenopyrite in Sleaford Complex (Archaean) granite. The geometry of the gold mineralisation appears to be ovoid in shape, strike east-west, and dip to the south (Figures 3 & 4). Mineralisation appears to increase in thickness and intensity towards the east and appears to be open to the east and the west. Significant results include 60m @ 5.65 g/t Au from 47m in 17WDRC032, 30m @ 2.95 g/t Au from 53m in 17WDRC029 and 16m @ 7.66 g/t Au from 81m in 17WDRC030. The gold mineralisation at Target 1 shows no obvious lithological controls that explains the alteration and gold distribution. Accordingly, there is potential for further gold mineralisation in the granite to the west of the magnetite skarn, especially in areas of discrete historic high-grade intercepts.

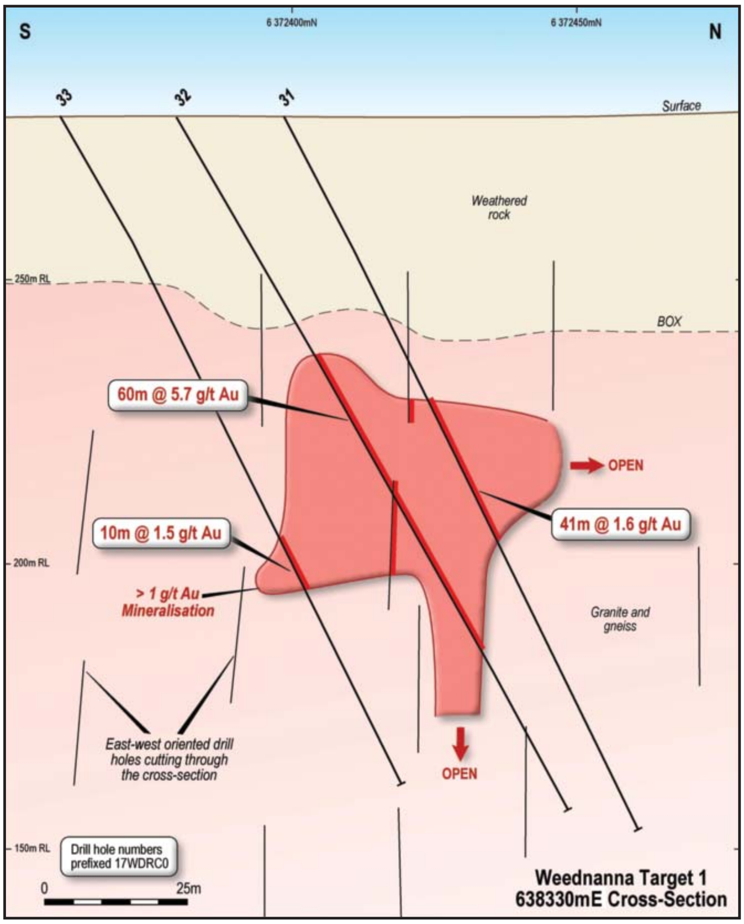

Figure 4

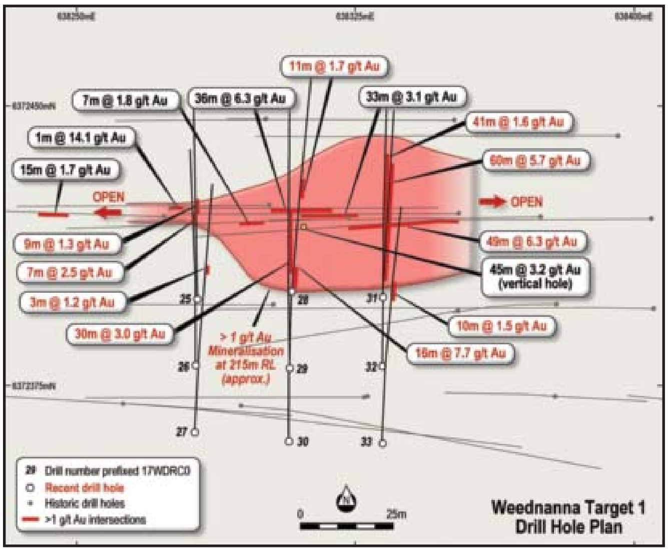

Figure 3

Twelve holes (17WDRC034-045) were drilled at Target 2 to infill and extend the gold mineralisation previously identified at this target. This drilling continued to intersect variable thicknesses of sulphide mineralisation often associated with the eastern contact of a magnetite skarn. The best result from this round of drilling was 6m @ 3.31 g/t Au from 134m in 17WDRC044. The drilling confirmed that the high-grade gold mineralisation strikes NNW, plunges shallowly to the north with a rod-like geometry and is open to the north and the south (Figures 5 & 6).

Four holes (17WDRC046-049) were drilled at Target 3 to test for extensions of the gold mineralisation previously intersected in holes 17WDRC017 and 98WDRC049. The drilling intersected encouraging zones of sulphide mineralisation mainly associated with the margins of magnetite skarn and returned significant results including 7m @ 12.15 g/t Au from 153m in 17WDRC046. The drilling identified two apparent gold mineralised shoots and confirmed the high-grade gold mineralisation strikes northwest with a pod-like geometry and is open to the north and the south (Figure 7).

These drilling programs have demonstrated that the high-grade gold shoots are ovoid to rod-like in geometry and have continuity along strike.

This improved understanding of the mineralisation style at Weednanna will be used to better define the distribution of gold at this prospect.

Further drilling is planned in 2017 to test for extensions to the recent high-grade intercepts at targets 1, 2 and 3.

Review Of Operations

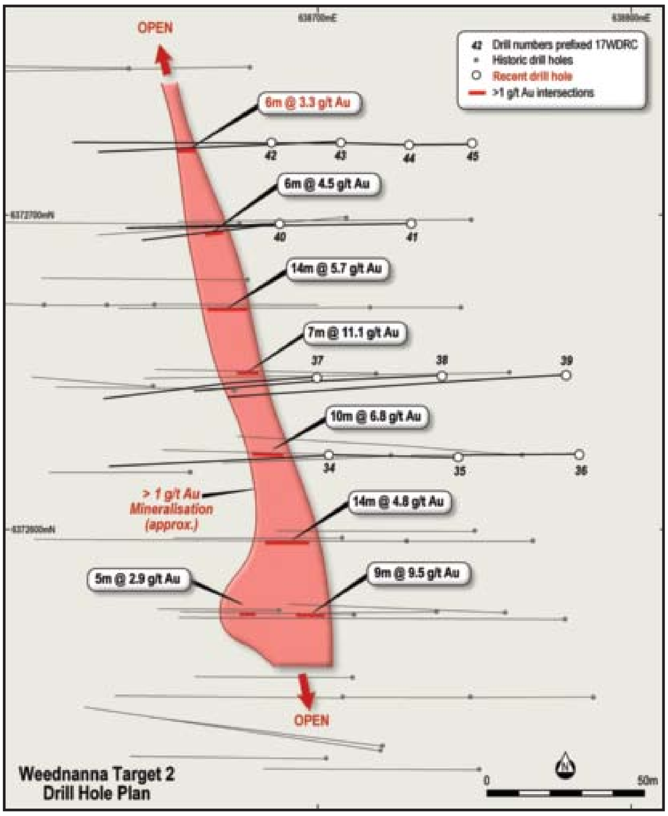

Figure 5

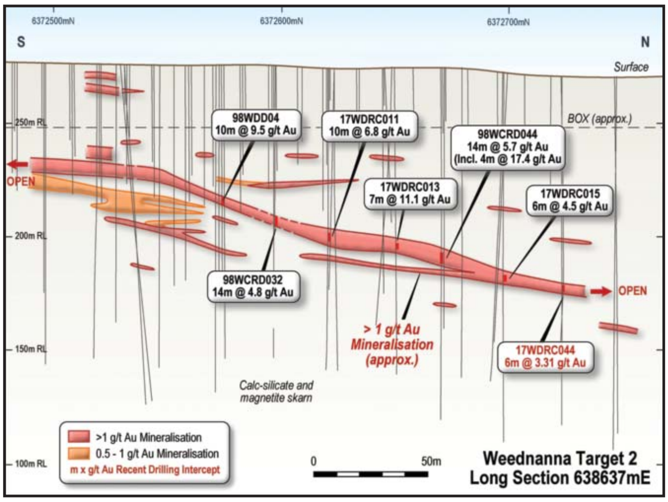

Figure 6

Zealous Tin Prospect

Reverse circulation (RC) drilling commenced at the Zealous base metals prospect to test a first order conductive target identified by HEM survey in December 2016 and confirmed by a high-powered moving loop electromagnetic (MLEM) survey in March 2017.

Previous drilling at Zealous in 2012 and 2014 intersected significant tin (Sn) grades, including 20.0m @ 1.29% Sn from 42m in 12ZLRC007, 12.3m @ 1.10% Sn from 119m in 13ZLDH001 and 10.0m @ 1.23% Sn from 128m in 13ZLRC001.

Refer to Alliance's ASX announcements dated 23 September 2016 and 16 November 2016 for details.

The 2012 discovery of high grade tin at Zealous indicated the presence of a reduced granite intrusion into sediments, including multiple fold-repeated horizons of dolomite (a host rock for replacement tin deposits). Zealous potentially represents a new and significant tin province in South Australia, and our exploration analogue is the Renison tin deposit in Tasmania.

The first two RC drill holes (SW hole and NE hole) at the prospect encountered deep regolith consisting of kaolinite (clay) and very fine sand. The southern hole failed to reach target depth and the northern hole entered the top of the target zone but failed to reach final target depth. A total of 366m was completed before RC drilling was suspended and a diamond drilling rig sourced to further test this prospect (Figure 1). Diamond drilling commenced at Zealous on 3 July and was completed by month end. Results are awaited.

Telephone Dam Zinc-Lead-Silver Prospect

Three RC holes, totalling 850 metres, are proposed to initially test the two HEM conductors which were confirmed by MLEM surveys. Two holes were planned to test the Telephone Dam Northern Conductor and one hole at the Telephone Dam Southern Conductor.

Following the decision to suspend RC drilling at Zealous, the RC drill rig was moved to Telephone Dam where the southernmost and shallowest planned hole was completed to 210m. A decision was made not to RC drill the northern two holes at Telephone Dam and these were instead diamond drilled in July and August. Results are awaited.

NEPEAN SOUTH PROJECT, WESTERN AUSTRALIA (Alliance 100%)

The Project is located 26 km southwest of Coolgardie and is prospective for both komatiitic-hosted nickel sulphide deposits and greenstone-hosted orogenic gold deposits. These greenstone belts are consistently known markers for gold mineralisation in the Eastern Goldfields (Figure 8).

During the year, Alliance completed several phases of auger soil sampling located approximately 4 km southwest of the Nepean Mine, and defined a gold-in-soil anomaly (>6.5 ppb) up to 1,350m in length and with a variable width up to 850m (southern anomaly).

Alliance also defined a coherent gold in soil anomaly greater than 7.5 ppb gold (Au) to the north of the southern anomaly. The dimensions of the new anomaly are approximately 3 km east-west x 1.5 km north-south.

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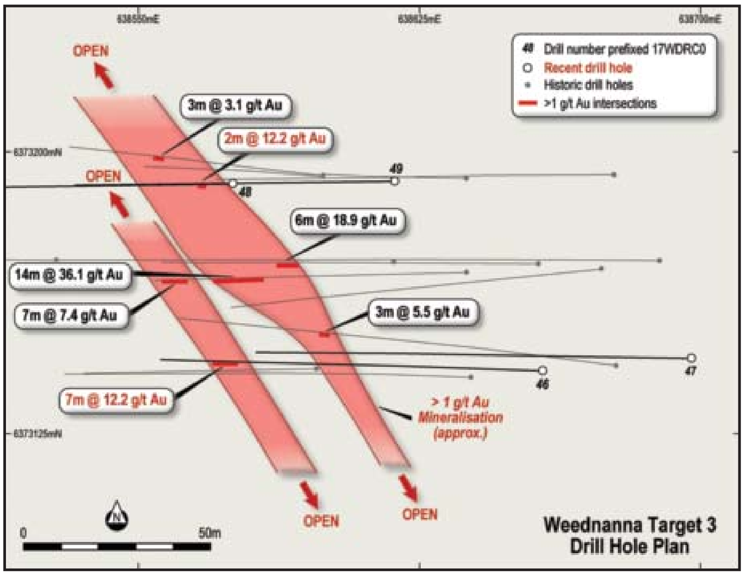

Figure 7

The northern anomaly is of higher tenor than the southern anomaly with anomalous samples from all soil sampling now determined to range between 8 and 15 ppb Au and highly anomalous samples greater than 15 ppb Au. There are 79 highly anomalous samples, with peak results of 108 ppb Au, 44 ppb Au and 41 ppb Au. The two highest grade samples are positioned more than 500 metres from a tenement boundary and it appears the highly anomalous samples form two strong clusters in the central to eastern part of the overall anomaly.

Further infill auger soil sampling in the north of the survey area is warranted to better define the distribution of gold, followed by aircore drill testing of the targets.

GUNDOCKERTA SOUTH PROJECT, WESTERN AUSTRALIA (Alliance 100%)

The project is located 72 km east of Kalgoorlie and is prospective for both komatiitic-hosted nickel sulphide deposits and greenstone-hosted orogenic gold deposits.

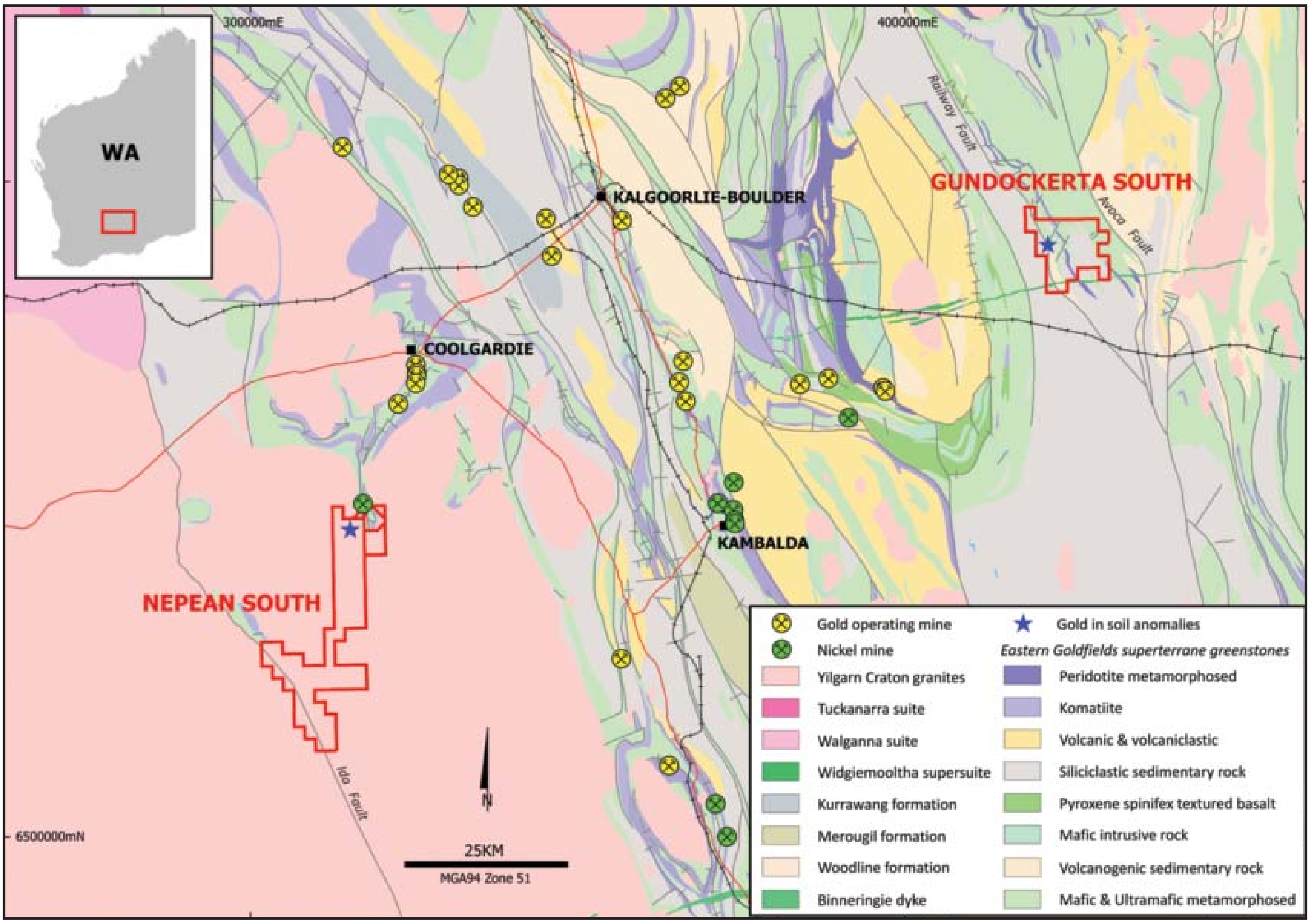

Figure 8

Review Of Operations

A detailed literature review of historic exploration within the project area was completed during the period, including compilation of the historic surface geochemical sampling. This work indicates several areas of anomalous gold results, including a large (approximately 8 km x 3.5 km) zone of sporadic gold-in-soil anomalism located in the northwest of the tenement area that is untested by drilling.

Future work includes wide spaced drilling to test for gold in regolith anomalism to vector towards primary gold mineralisation.

NEW SOUTH WALES (Alliance 100%)

During the year, Alliance was granted two Exploration Licences in New South Wales including at Garema, 25km south of Forbes, for gold and at Bogan Gate West, 45km west of Parkes, for gold and base metals.

Detailed reviews of historic work completed at both projects continued through the year.

Alliance withdrew applications for Exploration Licences 5277 (Mt Pleasant) and 5293 (Mt Pleasant SE).

CHILE

During the year, Alliance elected not to exercise its option to purchase the Chilean concessions owned by Mantos Exploration Pty Ltd and Roland Mountford.

CORPORATE

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 was approved by shareholders at the Annual General Meeting held 18 November 2016.

On 1 March 2017, 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 is consistent with the information previously provided in the Explanatory Statement for the AGM held on 18 November 2016. The Class Ruling is available on the AGS website via the Investor Centre – “ATO Class Ruling - March 2017” tab.

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, which shareholders approved at the 2016 AGM. The Share Consolidation record date was 2 December 2016.

Alliance now has 104,293,923 ordinary shares on issue.

TENEMENTS

Tenement	Name	Location	Beneficial percentage held at 30 June 2017
South Australia			
EL5961	Pinkwillinie	140 km W of Whyalla	51%
EL5164	Eurila Dam	80 km W of Whyalla	51%
EL5299	Wilcherry Hill	45 km N of Kimba	51%
EL5470	Uno/Valley Dam	105 km WSW of Port Augusta	51%
EL5590	Peterlumbo	140 km W of Port Augusta	51%
EL5875	Mount Miccollo	100 km W of Port Augusta	51%
EL5931	Maratchina Hill	20 km N of Kimba	51%
Western Australia			
E15/1483	Nepean South	26 km SW of Coolgardie	100%
E15/1543	Nepean SE	26 km SW of Coolgardie	100%
P15/6072	Nepean SW	26 km SW of Coolgardie	100%
E28/2572	Gundockerta South	72 km east of Kalgoorlie	100%
New South Wales			
EL8517	Garema	25 km SW of Forbes	100%
EL8490	Bogan Gate West	45 km west of Parkes	100%

Directors' report

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 year ended 30 June 2017.

Directors

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

Ian J Gandel (Non-Independent Non-Executive Chairman)

Anthony D Lethlean (Non-Executive Director)

Stephen F Johnston (Managing Director)

Principal activities

The principal activities of the consolidated entity during the year ended 30 June 2017 were exploring its projects in South Australia (Wilcherry Project Joint Venture), New South Wales and Western Australia.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,149,576 (30 June 2016: profit of $47,920,395).

A review of the Company's operations and financial position for the financial year and up to the date of this report is included in the annual report and should be read as part of the Directors' Report.

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 at the time of acquisition comprised six exploration licences covering 1,074 km^2. Both ACE and Trafford are to contribute to expenditure in accordance with their percent equity in the Wilcherry Project, or dilute using a standard dilution formula.

Significant changes in the state of affairs

Corporate

During the reporting period:

Capital Return - November 2016

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 (excluding costs) 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 - December 2016

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. Unless otherwise stated the Share and Option numbers disclosed throughout this Annual Report, including Directors' report, Remuneration report and Financial Statements, are post-share-consolidation amounts.

Investment in Tyranna Resources Limited

Up to 30 June 2017 Alliance has acquired 17.89% of Tyranna's issued share capital and may acquire or subscribe for shares up to 19.9% of Tyranna.

Unmarketable Parcel - Share Sale Facility - closure July 2016

On 26 May 2016, Alliance announced the establishment of a Share Sale Facility (Facility) for holders of unmarketable parcels of shares in the Company. The Facility allowed investors with small holdings to dispose of their unmarketable parcels and allowed the Company to reduce administrative costs. Pursuant to the terms of the Facility,

Directors' report

2,989 shareholders who held unmarketable parcels of shares as at 7pm AEST on 25 May 2016 agreed to sell their shares. These holdings totalled 9,428,409 shares. The Facility closed at 5pm (AEST) on Monday 18 July 2016.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Subsequent to balance date a new Wilcherry Project FY2018 Programme & Budget (FY2018 P&B) totalling $3,689,880 was approved by the Management Committee on 9 August 2017. Trafford subsequently confirmed it would not be contributing to the FY2018 P&B and thus will be diluting its interest in the joint venture. ACE will make up Trafford's contribution shortfall thereby increasing ACE's interest from 51% to an estimated 77.5% by the end of the FY 2018 P&B.

No other matter or circumstance has arisen since 30 June 2017 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.

Likely developments and expected results of operations

As described above ACE will be contributing 100% of the Wilcherry Project FY2018 P&B, and expects to further invest in the Wilcherry Project moving forward thereafter. The Boards strategy for the immediate future is to explore the Company's existing projects and continue to look out for other suitable acquisition opportunities in the resources sector.

Environmental regulation

Exploration activities at the Company's projects in SA, WA and NSW are conducted in accordance with relevant guidelines appropriate to those jurisdictions.

Occupational Health & Safety

The Company has in place policies to cover Induction of New Employees, Duty of Care, Safety, Environment, Return to Work, Harassment, Fitness for Work and Privacy, and to ensure Quality Assurance and Control of its operations. The Company is committed to providing a safe working environment for employees, contractors and others who may be affected directly or indirectly by its activities, protection of the environment and respect for the indigenous cultures and communities in which it operates.

Geologist Matthew Linton at Weednanna gold prospect

Directors' report

Information on directors

Name:	**Ian Jeffrey Gandel** (Appointed a director on 15 October 2003)
Title:	Non-Independent Non-Executive Chairman (Appointed on 23 June 2016)
Qualifications:	LLB, BEc, FCPA, FAICD
Experience and expertise:	Ian Gandel is a mining entrepreneur with extensive experience in retail and retail property management including Gandel Shopping Centres, Priceline Retail Chain and the Corporate Executive Offices serviced office chain. Ian is a former Director of Gandel Retail Trust. Ian has been an investor in the mining industry since 1994, is a substantial shareholder of a number of publicly listed Australian companies and is also involved in privately-funded exploration in Victoria and Western Australia.
Other current directorships:	Ian is also Non-executive Chairman of Alkane Resources Ltd (appointed 1 September 2017 and has been a non-executive director since 24 July 2006).
Former directorships (last 3 years):	Gippsland Ltd (Non-executive Chairman from 24 June 2009 to 14 April 2015) and Octagonal Resources Ltd (Non-executive Chairman from 10 November 2010 to 22 February 2016).
Special responsibilities:	Ian is a member of the Nominations, Remuneration and Audit & Risk Committees (appointed 5 August 2010).
Interests in shares:	29,957,438 (2016: 119,829,750 - pre 1 for 4 consolidation)
Interests in options:	Nil (2016: Nil)

Name:	**Anthony (Tony) Dean Lethlean** (Appointed on 15 October 2003)
Title:	Independent Non-Executive Director
Qualifications:	BAppSc(Geology)
Experience and expertise:	Tony Lethlean is a geologist with over 10 years mining experience specialising in underground operations, including Kalgoorlie's Golden Mile (WMC & KCGM) and Bellevue. For over 16 years he has been in banking and stock broking, including the global mining group at CIBC World Markets.
Other current directorships:	Tony is also a non-executive director of Alkane Resources Ltd (appointed 30 May 2002).
Former directorships (last 3 years):	N/A
Special responsibilities:	Tony is the chairman of the Nominations, Remuneration and Audit & Risk Committees (appointed 5 August 2010).
Interests in shares:	487,501 (2016: 1,950,001 pre 1 for 4 consolidation)
Interests in options:	Nil (2016: Nil)

Directors’ report

Name:	**Stephen (Steve) Frederick Johnston** (Appointed 19 October 2011)
Title:	Managing Director
Qualifications:	BAppSc(App. Geol.), MAusIMM, SEG
Experience and expertise:	Steve Johnston is a geologist with extensive exploration and mining experience within Australia for commodities including gold, base metals and uranium. He has been employed by Alliance since 2003 in varying capacities including as General Manager and Chief Executive Officer. Between 1993 to 2001 Steve held executive roles with ASX listed Croesus Mining NL then Exco Resources NL. Steve is a Corporate Member of the Australasian Institute of Mining and Metallurgy and a Member of the Society of Economic Geologists Inc.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Special responsibilities:	N/A
Interests in shares:	1,411,779 (2016: 5,647,113 pre 1 for 4 consolidation)
Interests in options:	4,000,000 (2016: Nil)

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

Robert (Bob) Tolliday is a Chartered Accountant with 30 years experience in business including accounting, audit, corporate finance, corporate recovery, treasury, HR, office management and company secretarial. Bob has worked for Gandel Metals Pty Ltd for the past 5 years providing CFO & Company Secretarial Services to a number of listed Mining entities under a management services agreement. Prior to this Bob worked for over 10 years as the Company Secretary / GM Finance & Admin for the Professional Golfers Association of Australia Ltd (PGA), and before that he was a Senior Manager and spent over 13 years working for Chartered Accounting practices KPMG and Pitcher Partners in both Australia and the UK. Bob was also a former director and Company Secretary of Octagonal Resources Ltd.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board		Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr I Gandel	9	9	2	2	3	3
Mr T Lethlean	8	9	2	2	2	3
Mr S Johnston	9	9	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Directors’ report

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and senior management/executives (Key Management Personnel) remuneration arrangements for the consolidated entity and the company for the financial year ended 30 June 2017, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's and company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms with the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. The committee did not engage the services of a remuneration consultant during the year.

The Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration are separate.

Non-executive director remuneration

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee has also agreed in the past to the advice of independent remuneration consultants or remuneration publications to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors did not receive share options or other incentives during the reporting period.

ASX listing rules require that the aggregate non-executive director remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 16 November 2009, where the shareholders approved an aggregate remuneration of $400,000.

Executive remuneration

The consolidated entity and company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration Committee, based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remuneration.

Executives can receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional cost to the consolidated entity and adds additional value to the executive.

The short-term incentive ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and exploration management.

The long-term incentives ('LTI') includes long service leave and share-based payments. These include an increase in shareholders value relative to the entire market and an increase when compared to the consolidated entity's direct competitors.

Consolidated entity performance and link to remuneration

The company's remuneration policy seeks to reward staff members for their contribution to achieving significant milestones but there is no direct link between remuneration paid and growth in the company's share price or financial performance.

Voting at the company's 2016 Annual General Meeting ('AGM')

The company received 97.94% of 'for' votes in relation to its remuneration report for the year ended 30 June 2016.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the directors of Alliance Resources Limited and the following persons:

- Mr R Tolliday (Chief Financial Officer & Company Secretary)
- Mr A Bowden (Exploration Manager) - note: employment ceased on 10 July 2016, consulting services provided during July 2016 to February 2017

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Termination benefits	
2017	**Cash salary and fees $**	**Consulting Fees $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity settled $**	**Termination payments $**	**Total $**
Non-Executive Directors:								
Mr I Gandel	67,500	-	-	6,412	-	-	-	73,912
Mr T Lethlean	66,750	-	-	5,700	-	-	-	72,450
Executive Directors:								
Mr S Johnston	265,005	-	-	25,175	(3,980)	65,051	-	351,251
Other Key Management Personnel:								
Mr R Tolliday*	-	-	-	-	-	7,078	-	7,078
Mr A Bowden	11,250	98,800	-	342	-	-	-	110,392
	410,505	98,800	-	37,629	(3,980)	72,129	-	615,083

* The Gandel Metals Trust employed Mr Tolliday. The Gandel Metals Trust is an entity associated with Mr I Gandel. Included in the fees paid in terms of The Gandel Metals management service agreement to The Gandel Metal Trust are professional fees of $280,100 for accounting and company secretarial services including services provided by Mr Tolliday. All charges were on commercial terms.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Termination benefits	
2016	**Cash salary and fees $**	**Consulting Fees $**	**Non-monetary $**	**Super-annuation $**	**Long service leave $**	**Equity settled $**	**Termination payments $**	**Total $**
Non-Executive Directors:								
Mr J Dunlop	111,738	-	-	10,615	-	-	30,474	152,827
Mr I Gandel	72,230	-	-	6,862	-	-	-	79,092
Mr T Lethlean	76,035	5,250	-	7,224	-	-	-	88,509
Executive Directors:								
Mr S Johnston	307,619	-	-	28,577	5,837	-	-	342,033
Other Key Management Personnel:								
Mr R Tolliday*	-	-	-	-	-	-	-	-
Mr A Bowden	236,600	-	-	16,654	(25,142)	-	-	228,112
	804,222	5,250	-	69,932	(19,305)	-	30,474	890,573

* The Gandel Metals Trust employed Mr Tolliday. The Gandel Metals Trust is an entity associated with Mr I Gandel. Included in the fees paid in terms of The Gandel Metals management service agreement to The Gandel Metal Trust are professional fees of $300,167 for accounting and company secretarial services including services provided by Mr Tolliday. All charges were on commercial terms.

Mr J Dunlop was paid termination benefits equivalent to 3 months salary due upon termination as Chairman of the company, in accordance with a determination by the remaining members of the remuneration committee in recognition of his term of service.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Executive Directors:						
Mr S Johnston	81%	100%	-	-	19%	-
Other Key Management Personnel:						
Mr R Tolliday	-	-	-	-	100%	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	**Mr Steve Johnston**
Title:	Managing Director (Effective 19 October 2011)
Agreement commenced:	1 May 2016
Term of agreement:	3 Years

Details:

- Remuneration - $271,005 (excluding Superannuation) this excludes - Benefits of Employment (including Options) and reimbursement of various expenses including parking, memberships & subscriptions and mobile phone charges (capped).
- Termination – The contract is capable of termination on standard employment terms, which include 6 months' notice if terminated by the Company (without cause) or by Mr Johnston. The Board retains the discretion to make a payment in lieu of notice equal to 3 months salary plus all accrued benefits up to the end of the notice period.

Name: **Mr A Bowden**

Title: Exploration Manager

Agreement commenced: 1 June 2011

Details:

- Remuneration – Employment Cost was $187,200 gross per annum (excluding superannuation), based on a 24 hour week. Any additional work completed was charged at $1,565.14 per day. The maximum annual salary was $300,000 per annum (excluding superannuation). This excluded options granted and reimbursements for various expenses including parking, subscriptions and mobile phone costs.
- Termination – The contract was capable of termination on standard employment terms, which included 3 months' notice if terminated by the Company (without cause) or by Mr Bowden. The Employment contract was terminated by the Company on 11 April 2016 with 3 months notice. Accordingly, Mr Bowden's employment ceased as of 10 July 2016. Subsequent to his employment ceasing, Mr Bowden performed some contract work through his private entity, GeoDec Consulting. This arrangement ceased in February 2017 and Mr Bowden no longer provides any services to Alliance.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
30 Nov 2016	30 Nov 2016	31 August 2019	$0.12	$0.028
30 Nov 2016	1 Sept 2017	31 August 2020	$0.16	$0.028
30 Nov 2016	1 Sept 2018	31 August 2021	$0.20	$0.028
30 Nov 2016	1 Sept 2019	31 August 2022	$0.24	$0.028
2 April 2017	2 April 2017	31 March 2020	$0.12	$0.020
2 April 2017	1 April 2018	31 March 2021	$0.16	$0.019
2 April 2017	1 April 2019	31 March 2022	$0.20	$0.019
2 April 2017	1 April 2020	31 March 2023	$0.24	$0.019

Options granted carry no dividend or voting rights

Executives, staff and approved specialist advisors/contractors who are involved with the business are all entitled to participate in the Employee Share Options Plan (ESOP).

As at 30 June 2017 there were 4,000,000 (2016: Nil) unlisted options issued over ordinary shares of Alliance Resources Limited granted to the Managing Director and 2,200,000 (2016: Nil) unlisted options granted to Executives, Staff and Contractors.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Number of options granted during the year 2017	Number of options granted during the year 2016	Number of options vested during the year 2017	Number of options vested during the year 2016
Mr S Johnston	4,000,000	-	1,000,000	-
Mr R Tolliday	1,000,000	-	250,000	-

- The Terms of the options are 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
  - Each Option converts to one ordinary share
  - The vesting date was the date that the options are able to be exercised

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Directors - Mr S Johnston	112,000	-	-	19%
Executives - Mr R Tolliday	19,200	-	-	100%

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted $	Value of options vested $	Number of options lapsed	Value of options lapsed $
S Johnston	30 Nov 2016	30 Nov 2016	1,000,000	28,000	28,000	-	-
S Johnston	30 Nov 2016	1 Sept 2017	1,000,000	28,000	-	-	-
S Johnston	30 Nov 2016	1 Sept 2018	1,000,000	28,000	-	-	-
S Johnston	30 Nov 2016	1 Sept 2019	1,000,000	28,000	-	-	-
R Tolliday	2 April 2017	2 April 2017	250,000	4,900	4,900	-	-
R Tolliday	2 April 2017	1 April 2018	250,000	4,725	-	-	-
R Tolliday	2 April 2017	1 April 2019	250,000	4,775	-	-	-
R Tolliday	2 April 2017	1 April 2020	250,000	4,800	-	-	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 $	2016 $	2015 $	2014 $	2013 $
Revenue and other income	511,233	50,315,843	221,425	807,407	1,193,352
EBITDA	(1,133,117)	47,931,309	(3,128,879)	(16,978,190)	(7,288,361)
EBIT	(1,149,576)	47,920,395	(3,125,566)	(16,971,430)	(7,276,233)
Share price at financial year end (cents)	8.80	4.00	8.20	16.00	10.00
Basic earnings/(loss) per share (cents per share)	(1.10)	11.61	(0.86)	(4.98)	(2.14)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other*	Balance at the end of the year
Ordinary shares					
Mr I Gandel	119,829,750	-	-	(89,872,312)	29,957,438
Mr T Lethlean	1,950,001	-	-	(1,462,500)	487,501
Mr S Johnston	5,647,113	-	-	(4,235,334)	1,411,779
Mr R Tolliday	250,000	-	-	(187,500)	62,500
	127,676,864	-	-	(95,757,646)	31,919,218

- The reduction in shareholdings for all directors/executives resulted exclusively from the 1 for 4 share consolidation in December 2016

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr S Johnston*	-	4,000,000	-	-	4,000,000
Mr R Tolliday**	-	1,000,000	-	-	1,000,000
	-	5,000,000	-	-	5,000,000

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Unlisted Options - exercisable at 12 cents	1,250,000	-	1,250,000
	1,250,000	-	1,250,000

* 1,000,000 options with a $0.12 exercise price vested on the date of issue (30 Nov 2016) and expire 31 August 2019 re S Johnston.
** 250,000 options with a $0.12 exercise price vested on the date of issue (2 April 2017) and expire 31 March 2020 re R Tolliday.

Other transactions with key management personnel and their related parties

In October 2016 related interests of Mr I Gandel executed an arms length transaction whereby Alliance purchased shares and listed options in Tyranna Resources Ltd (ASX: TYX) for the sum of $575,256 from an I Gandel related entity. At the time of the transaction the market value on the ASX of the TYX shares and options was approximately $679,537.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Alliance Resources Limited held by key management personnel under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30 Nov 2016	31 August 2019	$0.12	1,000,000
30 Nov 2016	31 August 2020	$0.16	1,000,000
30 Nov 2016	31 August 2021	$0.20	1,000,000
30 Nov 2016	31 August 2022	$0.24	1,000,000
2 April 2017	31 March 2020	$0.12	250,000
2 April 2017	31 March 2021	$0.16	250,000
2 April 2017	31 March 2022	$0.20	250,000
2 April 2017	31 March 2023	$0.24	250,000
			5,000,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Alliance Resources Limited issued on the exercise of options during the year ended 30 June 2017.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors of Alliance support the principle of good corporate governance. As such, Alliance Resources Limited have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The consolidated entity's Corporate Governance Statement for the financial year ending 30 June 2017 is dated as at 30 June 2017 and was approved by the Board on 25 September 2017. The Corporate Governance Statement is available on the Alliance website at http://www.allianceresources.com.au/irm/content/corporate-governance.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Risk Management

The Company takes a proactive approach to risk management including monitoring actual performance against budgets and forecast and monitoring investment performance. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the consolidated entity's objectives and activities are aligned with the risks and opportunities identified by the Board.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 24 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 24 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former partners of BDO East Coast Partnership

There are no officers of the company who are former partners of BDO East Coast Partnership.

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.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Gandel

Ian Gandel
Chairman

27 September 2017
Melbourne

Auditor's independence declaration

BDO

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DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF ALLIANCE RESOURCES LIMITED

As lead auditor of Alliance Resources Limited for the year ended 30 June 2017, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 27 September 2017

Financial report

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue	4	375,258	696,064
Other income	5	-	49,619,779
Expenses			
Depreciation expense	7	(16,459)	(10,914)
Expense of share options granted		(80,622)	-
Tenement costs abandoned		(230,069)	(1,762,731)
Reversal of expense accrual	6	-	1,108,854
Occupancy expenses		(34,196)	(18,719)
Administration expenses		(964,563)	(1,087,643)
Legal expenses		(68,753)	(171,419)
Director fees		(137,583)	(279,963)
Company secretarial		(114,954)	(169,113)
Marketing expenses		(19,827)	(3,800)
(Loss)/profit before income tax expense		(1,291,768)	47,920,395
Income tax expense	8	-	-
(Loss)/profit after income tax expense for the year		(1,291,768)	47,920,395
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of equity instruments at FVOCI	11	(1,392,549)	38,936
Other comprehensive income for the year, net of tax		(1,392,549)	38,936
Total comprehensive income for the year		(2,684,317)	47,959,331
(Loss)/profit for the year is attributable to:			
Owners of Alliance Resources Limited	18	(1,149,576)	47,920,395
Non-controlling interest		(142,192)	-
		(1,291,768)	47,920,395
Total comprehensive income for the year is attributable to:			
Owners of Alliance Resources Limited		(2,542,125)	47,959,331
Non-controlling interest		(142,192)	-
		(2,684,317)	47,959,331
		Cents	**Cents**
Basic earnings/(loss) per share	31	(1.10)	11.61
Diluted earnings/(loss) per share	31	(1.10)	11.61

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

Statement of financial position

As at 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Assets			
Current assets			
Cash and cash equivalents	9	9,497,009	24,687,040
Trade and other receivables	10	237,784	42,741
Other assets		17,500	-
Total current assets		9,752,293	24,729,781
Non-current assets			
Other receivables		20,000	-
Financial assets at fair value through other comprehensive income	11	1,499,894	188,617
Property, plant and equipment		12,831	29,037
Exploration and evaluation	12	4,147,637	69,346
Total non-current assets		5,680,362	287,000
Total assets		15,432,655	25,016,781
Liabilities			
Current liabilities			
Trade and other payables	13	444,043	110,833
Employee benefits	14	23,831	27,686
Total current liabilities		467,874	138,519
Non-current liabilities			
Employee benefits	15	74,278	81,841
Total non-current liabilities		74,278	81,841
Total liabilities		542,152	220,360
Net assets		14,890,503	24,796,421
Equity			
Contributed equity	16	47,494,743	55,841,095
Reserves	17	(1,375,436)	(63,509)
Accumulated losses	18	(32,130,741)	(30,981,165)
Equity attributable to the owners of Alliance Resources Limited		13,988,566	24,796,421
Non-controlling interest	19	901,937	-
Total equity		14,890,503	24,796,421

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

Statement of changes in equity

For the year ended 30 June 2017

	Contributed Equity $	Accumulated Losses $	Reserves $	Total Equity $
Consolidated				
Balance at 1 July 2015	103,475,639	(78,222,860)	(781,145)	24,471,634
Profit after income tax expense/(benefit) for the year	-	47,920,395	-	47,920,395
Other comprehensive income for the year, net of tax	-	-	38,936	38,936
Total comprehensive income for the year	-	47,920,395	38,936	47,959,331
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	(732,600)	732,600	-
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 16)	2,426,309	-	-	2,426,309
Capital return	(50,060,853)	-	-	(50,060,853)
Transfer on expiry of options	-	53,900	(53,900)	-
Balance at 30 June 2016	55,841,095	(30,981,165)	(63,509)	24,796,421

Consolidated	Contributed Equity $	Non-controlling Interest $	Accumulated Losses $	Reserves $	Total Equity $
Balance at 1 July 2016	55,841,095	-	(30,981,165)	(63,509)	24,796,421
Loss after income tax expense/(benefit) for the year	-	(142,192)	(1,149,576)	-	(1,291,768)
Other comprehensive income for the year, net of tax	-	-	-	(1,392,549)	(1,392,549)
Total comprehensive income for the year	-	(142,192)	(1,149,576)	(1,375,436)	(2,684,317)
Transactions with owners in their capacity as owners:					
Share-based payments (note 32)	-	-	-	80,622	80,622
Capital return, including transaction costs	(8,348,073)	-	-	-	(8,348,073)
Joint venturers' interest received	1,721	1,653	-	-	3,374
Non-controlling interest	-	1,042,476	-	-	1,042,476
Balance at 30 June 2017	47,494,743	901,937	(32,130,741)	(1,375,436)	14,890,503

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

Statement of cash flows

For the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		144,846	-
Payments to suppliers and employees (inclusive of GST)		(1,402,218)	(2,489,895)
		(1,257,372)	(2,489,895)
Interest received		356,361	639,114
Net cash used in operating activities	30	(901,011)	(1,850,781)
Cash flows from investing activities			
Payments for investments		(2,703,826)	-
Payments for new joint venture capital invested		(2,048,504)	-
Payments for property, plant and equipment		(253)	(34,304)
Payments for exploration and evaluation		(1,133,984)	(1,261,958)
Payments for security deposits		(20,000)	-
Contributions to Joint Venture exploration and evaluation		(962,729)	-
Proceeds from disposal of joint venture - Four Mile		-	73,975,000
Payment to Four Mile Consultants		-	(424,193)
Contributions from JV partner		926,628	-
Interested earned by JV partner		1,721	-
Proceeds from sale of shares in Octagonal Resources Limited		-	121,000
Refund of Performance Bond		-	870,225
Net cash (used in)/from investing activities		(5,940,947)	73,245,770
Cash flows from financing activities			
Proceeds from issue of shares	16	-	2,453,603
Share issue transaction costs	16	-	(27,294)
Capital return	16	(8,343,476)	(50,060,853)
Capital return transaction costs		(4,597)	-
Net cash used in financing activities		(8,348,073)	(47,634,544)
Net (decrease)/increase in cash and cash equivalents		(15,190,031)	23,760,445
Cash and cash equivalents at the beginning of the financial year		24,687,040	926,595
Cash and cash equivalents at the end of the financial year	9	9,497,009	24,687,040

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

Notes to the financial statements

30 June 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

New and amended standards

For the financial year ended 30 June 2016 the consolidated entity elected to apply AASB 9 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.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alliance Resources Limited ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Alliance Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 judgements 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 July 2018 but the impact of its adoption is yet to be fully assessed by the consolidated entity, though as the only current customer is effectively itself re management fees for the Wilcherry Project the impact of adopting the new standard is expected to be minimal.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be fully assessed by the consolidated entity, though as there are currently no lease transactions that the entity is involved in the impact of adopting the new standard is expected to be minimal.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured 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; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

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

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

	Consolidated 2017 $	Consolidated 2016 $

NOTE 4. REVENUE

	Consolidated 2017 $	Consolidated 2016 $
Other fees	8,871	-
Interest	366,387	666,064
Other revenue	-	30,000
Revenue	375,258	696,064

Accounting policy for revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of the amount of goods and services tax (GST).

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

NOTE 5. OTHER INCOME

	Consolidated 2017 $	Consolidated 2016 $
Net gain on disposal of Four Mile Project	-	49,619,779

NOTE 6. REVERSAL OF EXPENSE ACCRUAL

In 2016 due to the sale of the Four Mile Uranium Project, expense accruals relating to a consultant were reversed upon confirmation that the liability was no longer applicable. No such adjustments were required in 2017.

NOTE 7. EXPENSES

(Loss)/profit before income tax includes the following specific expenses:

	Consolidated 2017 $	Consolidated 2016 $
Depreciation		
Plant and equipment	16,459	10,914
Superannuation expense		
Defined contribution superannuation expense	37,630	45,230
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	262,643	546,894

NOTE 8. INCOME TAX EXPENSE/(BENEFIT)

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset. Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax Consolidation

Alliance Resources Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

	Consolidated 2017 $	Consolidated 2016 $
Income tax expense/(benefit)		
Current income tax charge/(benefit)	(560,230)	18,983,620
Adjustments in respect of previous years	(11,318)	17,952
Deferred tax relating to origination and reversal of temporary differences	314,614	(4,043,264)
Deferred tax assets now recognised	-	(18,983,620)
Deferred tax assets not brought to account	256,934	4,025,312
Aggregate income tax expense/(benefit)	-	-
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
(Loss)/profit before income tax expense/(benefit) – excluding NCI	(1,149,576)	47,187,795
Tax at the statutory tax rate of 27.5% (2016: 30%)	(316,133)	14,156,339
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	22,171	-
Non-deductible Chilean expenses	47,954	563,670
Loss on disposal of shares	-	219,780
Other non-deductible expenses	392	568
	(245,616)	14,940,357
Prior year tax losses not recognised now recouped	-	(18,983,620)
Deferred tax assets not brought to account	256,934	4,025,312
Adjustments in respect of prior years	(11,318)	17,951
Income tax expense/(benefit)	-	-

	Consolidated 2017 $	Consolidated 2016 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	27,599,421	25,562,221
Potential tax benefit @ 27.5% (2016: 30%)	7,589,841	7,668,666

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Deferred tax assets and liabilities not recognised

	Consolidated 2017 $	Consolidated 2016 $
Deferred tax liabilities comprises:		
Exploration and evaluation	(352,687)	(20,804)
Accrued income	(2,757)	(8,085)
Total deferred tax liabilities	(355,444)	(28,889)
Deferred tax assets comprises:		
Provisions and accruals	39,229	38,559
Equity raising costs	30,836	43,089
Tax Losses	7,589,841	7,668,666
Total deferred tax assets	7,659,906	7,750,314

The above net potential tax benefit has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

NOTE 9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated 2017 $	Consolidated 2016 $
Cash on hand	4	3
Cash at bank	1,270,346	4,309,090
Cash on deposit	8,226,659	20,377,947
	9,497,009	24,687,040

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

	Consolidated 2017 $	Consolidated 2016 $

NOTE 10. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated 2017 $	Consolidated 2016 $
Trade receivables	117,501	-
Other receivables	2,152	-
	119,653	-
Accrued revenue	10,026	26,950
GST receivable	108,105	15,791
	237,784	42,741

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Other receivables are recognised at amortised cost, less any provision for impairment.

Accounting policy for Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

	Consolidated 2017 $	Consolidated 2016 $
NOTE 11. NON-CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Ordinary shares - Listed Securities	3,984,012	1,280,186
Revaluation of investments to fair value	(2,484,118)	(1,091,569)
	1,499,894	188,617

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2017 $	Consolidated 2016 $
Opening fair value	188,617	270,680
Additions - Investment in Centennial Mining Ltd (formerly A1 Gold)	52,800	246,400
Disposals - Octagonal Resources Limited	-	(367,400)
Additions - Investment in Tyranna Resources Ltd	2,651,026	-
Movement in fair value	(1,392,549)	38,937
Closing fair value	1,499,894	188,617

Refer to note 22 for further information on fair value measurement.

Note: The Ordinary shares are listed equity securities in SciDev Ltd (ASX Code: SDV) (formerly known as Intec Limited), Tyranna Resources Ltd (ASX Code: TYX) and Centennial Mining Ltd (ASX Code: CTL) (formerly known as A1 Consolidated Gold Limited). The SDV shares were acquired on sale of investment in Encore Pty Ltd on 23 October 2006. The CTL shares were obtained on the delisting of Octagonal Resources Ltd on 23 February 2016 at which time Alliance received CTL shares and cash as consideration for the disposal of its Octagonal shares and also obtained pursuant to a rights issue in August 2016. The TYX shares were purchased in September and October 2016 via on-market purchases and also an off-market purchase from interests associated with Mr Ian Gandel - refer to the remuneration report for further details. Shares in TYX, SDV and CTL are valued by reference to the quoted market price at the close of business on balance date. The Shares are classified as available for sale financial assets.

Accounting policy for financial assets at fair value through other comprehensive income

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Equity instruments

The consolidated entity subsequently measures all equity investments at fair value. Where management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

	Consolidated 2017 $	Consolidated 2016 $
NOTE 12. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION		
Exploration and evaluation costs carried forward - WA	198,632	32,540
Exploration and evaluation costs carried forward - NSW	72,348	36,806
Exploration and evaluation costs carried forward - Wilcherry Project	3,876,657	-
	4,147,637	69,346

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration $
Balance at 1 July 2015	570,119
Expenditure during the year	1,261,958
Tenement costs abandoned	(1,762,731)
Balance at 30 June 2016	69,346
Additions (1)	2,048,830
Expenditure during the year	2,259,530
Tenement costs abandoned	(230,069)
Balance at 30 June 2017	4,147,637

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

(1) 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 at the time of acquisition comprised six exploration licences covering 1,074 km^2.

Both ACE and Trafford are to contribute to expenditure in accordance with their percent equity in the Wilcherry 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 it's tenement interests is included in the above table.

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

	Consolidated 2017 $	Consolidated 2016 $

NOTE 13. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	368,731	36,435
Accrued expenses	64,691	59,474
PAYG payable	10,621	14,924
	444,043	110,833

Refer to note 21 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 14. CURRENT LIABILITIES - EMPLOYEE BENEFITS

Employee entitlements	23,831	27,686

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

NOTE 15. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

Employee entitlements	74,278	81,841

Accounting policy for other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Consolidated	2017 Shares	2016 Shares	2017 $	2016 $
NOTE 16. EQUITY - CONTRIBUTED EQUITY				
Ordinary shares - fully paid	104,293,923	417,173,773	47,494,743	55,841,095

A capital return payment of $0.02 per share was processed on 30 November 2016 totalling $8,348,073 (including transaction costs). 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

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 with the effective date of the consolidation being 5 December 2016. Following the Share Consolidation Alliance now has 104,293,923 ordinary shares on issue.

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2015	400,816,419		103,475,639
Options exercised at $0.15 per share less costs	30 September 2015	16,357,354	$0.15	2,426,309
Capital return of $0.12 per share	28 October 2015	-	$0.12	(50,060,853)
Balance	30 June 2016	417,173,773		55,841,095
Capital return of $0.02 per share	30 November 2016	-	$0.02	(8,348,073)
1 for 4 Share consolidation	5 December 2016	(312,879,850)	$0.00	-
Joint Venturers' interest share	30 June 2017	-	$0.00	1,721
Balance	30 June 2017	104,293,923		47,494,743

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.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is actively pursuing additional investments in the short term to supplement its existing businesses in order to maximise synergies.

The consolidated entity is not subject to any financing arrangement covenants.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

	Consolidated 2017 $	Consolidated 2016 $
NOTE 17. EQUITY - RESERVES		
FVOCI reserve	(1,456,058)	(63,509)
Share-based payments reserve	80,622	-
	(1,375,436)	(63,509)

FVOCI reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share option reserve* $	FVOCI reserve** $	Total $
Balance at 1 July 2015	53,900	(835,045)	(781,145)
Revaluation - gross	-	38,936	38,936
Transfer to accumulated losses***	-	732,600	732,600
Transfer on expiry of options	(53,900)	-	(53,900)
Balance at 30 June 2016	-	(63,509)	(63,509)
Revaluation - gross	-	(1,392,549)	(1,392,549)
Cost of share options issued	80,622	-	80,622
Balance at 30 June 2017	80,622	(1,456,058)	(1,375,436)

* The share based payments reserve is used to recognise the fair value of options issued to directors and employees.

** The FVOCI reserve is used to recognise the increase and decrease in fair value of the equity investments.

*** The transfer to accumulated losses in 2016 relates to Octagonal Resources Limited previous recognised fair value impairments.

On 23 February 2016, Octagonal Resources Limited ("Octagonal") was delisted from the ASX following the implementation of a Scheme Of Arrangement ("Scheme") under which Alliance received cash of $0.0055 per Octagonal share held (equating to $121,000 from the 22,000,000 shares) and two shares in Centennial Mining Ltd ("CTL") (ASX Ticker code: CTL) (formerly A1 Consolidated Gold Ltd) for every 5 shares of Octagonal held (equating to 8,800,000 CTL shares) with a market value of approx. $246,400 at that time. After taking into account the above consideration received, prior fair value adjustments and equity accounted changes to the company's investment in Octagonal, the company recorded a transfer to accumulated losses of $732,600.

	Consolidated 2017 $	Consolidated 2016 $
NOTE 18. EQUITY - ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(30,981,165)	(78,222,860)
(Loss)/profit after income tax expense/(benefit) for the year	(1,149,576)	47,920,395
Transfer on expiry of options	-	53,900
Transfer from FVOCI reserve	-	(732,600)
Accumulated losses at the end of the financial year	(32,130,741)	(30,981,165)

NOTE 19. EQUITY - NON-CONTROLLING INTEREST

As detailed in note 12 Alliance, through ACE, has a 51% equity interest in the Wilcherry Project, with Trafford holding a 49% interest. As Alliance has deemed control it has accordingly consolidated in full the Wilcherry Project assets and liabilities, plus income and expenses, with the interest of Trafford being represented in the financial accounts as a non-controlling interest.

The movement in Trafford's non-controlling interest during the 12 months ending 30 June 2017 is shown below and is represented by contributed equity, and adjusted for its share of administrative expenses during the period. The majority of costs incurred by the Joint Venture were capitalised into exploration and evaluation in the Statement of financial position.

	Consolidated 2017 $	Consolidated 2016 $
Contributed equity – cash calls	1,042,476	-
Joint venturers' interest received	1,653	-
Accumulated losses	(142,192)	-
	901,937	-

NOTE 20. EQUITY - DIVIDENDS

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

NOTE 21. FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the Company's functional currency. The Company currently operates in Australia only, with its Chile operations now ceased, thus at present it has minimal foreign exchange exposure. The Company will potentially have greater exposure in the future as most commodities the Company explores for are traded in US Dollars.

Interest rate risk

Interest rate risk is the risk that the Company's financial position will be adversely affected by movements in interest rates. Interest rate risk on short term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

At 30 June 2017 Alliance had the following cash instruments exposed to interest rate risk - Cash and cash equivalents totalling $9,497,009 (2016: $24,687,040) and receivables $0 (2016: $0).

The sensitivity of the fair value of financial instruments held at balance date, following a movement in interest rates, with all other variables held constant. A 1% interest rate change sensitivity is based on reasonably possible changes over a financial year. The post tax gain or loss and effect on equity assuming a 1% interest rate change is $94,970 (2016: $246,833).

	30 June 2017		30 June 2016	
Consolidated	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
As at the reporting date, the consolidated entity had the following variable rate items outstanding:				
Cash and cash equivalents	2.15%	9,497,009	2.75%	24,687,040
Net exposure to cash flow interest rate risk		9,497,009		24,687,040

Price risk

The Group is exposed to equity securities price risk. This arises from investments at fair value through other comprehensive income. The listed investments are traded on the ASX.

The following table sets out the carrying amount of the consolidated entity's equity securities price risk. Also included is the effect on profit and equity after tax if these prices at that date had been 25 basis points higher or lower with all other variables held constant as a sensitivity analysis. Given the current volatility in both Australian and international stock markets a sensitivity of 25% has been selected and is considered reasonable.

	Impact of basis points increase		Impact of basis points decrease	
	Basis points change -%	Effect on equity	Basis points change -%	Effect on equity
Consolidated 2017				
Financial assets - CTL	25	50,600	(25)	(50,600)
Financial assets - SDV	25	3,102	(25)	(3,102)
Financial assets - TYX	25	321,272	(25)	(321,272)
		374,974		(374,974)
Consolidated 2016				
Financial assets - CTL	25	46,200	(25)	(46,200)
Financial assets - SDV	25	954	(25)	(954)
		47,154		(47,154)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

No financing facilities are currently in place.

Hedging

No hedging is currently in place.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less $	Between 1 & 2 years $	Between 2 & 5 years $	Over 5 years $	Remaining contractual maturities $
Consolidated 2017						
Non-derivatives						
Non-interest bearing						
Trade payables	-	368,731	-	-	-	368,731
Accrued expenses	-	64,691	-	-	-	64,691
PAYG Payable	-	10,621	-	-	-	10,621
Total non-derivatives	-	444,043	-	-	-	444,043
Consolidated 2016						
Non-derivatives						
Non-interest bearing						
Trade payables	-	36,435	-	-	-	36,435
Accrued expenses	-	59,474	-	-	-	59,474
PAYG Payable	-	14,924	-	-	-	14,924
Total non-derivatives	-	110,833	-	-	-	110,833

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

NOTE 22. 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

	Level 1 $	Level 2 $	Level 3 $	Total $
Consolidated 2017				
Assets				
Ordinary shares	1,499,894	-	-	1,499,894
	1,499,894	-	-	1,499,894
Consolidated 2016				
Assets				
Ordinary shares	188,617	-	-	188,617
Total assets	188,617	-	-	188,617

There were no transfers between levels during the financial year.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

NOTE 23. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

The following persons were directors of Alliance Resources Limited during the financial year:

Chairman - Non-executive and Non-Independent
Mr I Gandel
Executive Director
Mr S Johnston
Non-executive Directors
Mr T Lethlean

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, during the financial year:

Name	Position
Mr S Johnston	Managing Director
Mr R Tolliday	Chief Financial Officer & Company Secretary
Mr A Bowden	Exploration Manager

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2017 $	**Consolidated 2016 $**
Short-term employee benefits	509,305	809,472
Post-employment benefits	37,629	69,932
Long-term benefits	(3,980)	(19,305)
Termination benefits	-	30,474
Share-based payments	72,129	-
	615,083	890,573

	Consolidated 2017 $	Consolidated 2016 $
NOTE 24. REMUNERATION OF AUDITORS		
During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the company:		
Audit services - BDO East Coast Partnership		
Audit or review of the financial statements	44,660	47,650
Other services - BDO East Coast Partnership		
Preparation of the tax return	13,000	-
Taxation compliance incl. ATO class ruling re Capital Distribution	37,206	85,901
Disbursements	-	1,665
Employment matters incl. re employee share options plan	12,341	-
Auditing the Wilcherry Project JV special purpose financial report	12,688	-
	75,235	87,566
	119,895	135,216

NOTE 25. COMMITMENTS

	Consolidated 2017 $	Consolidated 2016 $
Exploration commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,623,513	557,000
One to five years	2,669,743	3,048,000
	4,293,256	3,605,000

Exploration Commitments - The consolidated entity must meet tenement expenditure commitments to maintain them until they expire, are otherwise disposed of, or are renegotiated. Exploration licenses have been granted for between 1 and 5 years for all States that the Company operates in.

NOTE 26. RELATED PARTY TRANSACTIONS

Parent entity

Alliance Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 28.

Interests in joint ventures are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the Directors' report.

NOTE 27. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	Consolidated 2017 $	Consolidated 2016 $
Statement of profit or loss and other comprehensive income		
(Loss)/profit after income tax	(1,156,690)	40,360,369
Total comprehensive income	(1,156,690)	40,360,369
Statement of financial position		
Total current assets	9,254,435	24,717,075
Total assets	14,096,380	24,950,590
Total current liabilities	107,625	137,584
Total liabilities	181,904	219,425
Equity		
Contributed equity	47,493,023	55,841,095
FVOCI reserve	(1,456,058)	(63,509)
Share-based payments reserve	80,622	-
Accumulated losses	(32,203,111)	(31,046,421)
Total equity	13,914,476	24,731,165

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2017 other than Alliance (NSW) Pty Ltd for which a deed of cross guarantee exists. Alliance (NSW) trade creditors at 30 June 2017 amounted to $Nil (2016: $934).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2017 (2016: $Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2017 (2016: $Nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 28. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in the notes:

		Ownership interest	
Name	**Principal place of business /Country of incorporation**	**2017 %**	**2016 %**
Alliance (NSW) Pty Ltd	Australia	100%	100%
Alliance (SA) Pty Ltd	Australia	100%	100%
Alliance Craton Explorer Pty Ltd	Australia	100%	100%
Alliance (Chile) Pty Ltd	Australia	100%	100%

NOTE 29. INTERESTS IN JOINT VENTURES

Interests in joint ventures were accounted for using the consolidation method as Alliance holds a controlling interest. Information relating to joint ventures that are material to the consolidated entity are set out below:

		Ownership interest	
Name	**Principal place of business /Country of incorporation**	**2017 %**	**2016 %**
Wilcherry Project	Exploration - South Australia	51%	-

As detailed in note 12 above, Alliance, through its wholly owned subsidiary ACE, acquired 51% equity in the Wilcherry Project from Trafford, a wholly owned subsidiary of Tyranna, for $2 million.

Both ACE and Trafford are to contribute to expenditure in accordance with their percentage equity in the Wilcherry 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.

	2017 $
Summarised financial information	
Summarised statement of financial position	
Cash and cash equivalents	73,036
Other current assets	343,981
Computer equipment	254
Exploration and evaluation	1,837,060
Total assets	2,254,331
Other current liabilities	413,643
Total liabilities	413,643
Net assets	1,840,688
Summarised statement of profit or loss and other comprehensive income	
Management fee	(277,500)
Audit fee	(12,688)
Loss before income tax	(290,188)
Other comprehensive income	-
Total comprehensive income	(290,188)
Reconciliation of the consolidated entity's carrying amount	
Opening carrying amount	-
Share of loss after income tax	(147,996)
Share of interest received	1,721
Share of Cash-calls	1,085,026
Closing carrying amount	938,751

Accounting for the Wilcherry Project Joint Venture

The company's interest in the Wilcherry Project has been consolidated up to 30 June 2017 in accordance with Accounting Standard AASB 10 Consolidated Financial Statements as Alliance has been deemed to have control over the Wilcherry Project due to its 51% interest and due to the fact that its subsidiary, ACE, is the appointed manager. The financial statements of the Wilcherry Project have been audited by BDO who issued an unqualified audit opinion.

	Consolidated 2017 $	Consolidated 2016 $
Commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Exploration - Within one year	1,205,795	-
Exploration - One to five years	1,277,384	-
	2,483,179	-

Exploration Commitments - The consolidated entity must meet tenement expenditure commitments to maintain them until they expire, are otherwise disposed of, or are renegotiated. Exploration licenses have been granted for between 1 and 2 years for South Australia, thereafter they require renewal.

NOTE 30. RECONCILIATION OF (LOSS)/PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated 2017 $	Consolidated 2016 $
(Loss)/profit after income tax expense/(benefit) for the year	(1,149,576)	47,920,395
Adjustments for:		
Depreciation and amortisation	16,459	10,914
Share-based payments	80,622	-
Net profit on sale of interest in Four Mile Project	-	(49,619,779)
Tenement costs abandoned	230,069	1,762,731
Minority interest P&L contributions	(142,192)	-
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(77,542)	64,780
(Increase)/decrease in prepayments	(17,500)	52,951
Increase/(decrease) in trade and other payables	170,066	(1,983,707)
Decrease in employee benefits	(11,417)	(29,066)
Decrease in accruals	-	(30,000)
Net cash used in operating activities	(901,011)	(1,850,781)

NOTE 31. EARNINGS PER SHARE

	Consolidated 2017 $	Consolidated 2016 $
(Loss)/profit after income tax	(1,291,768)	47,920,395
Non-controlling interest	142,192	-
(Loss)/profit after income tax attributable to the owners of Alliance Resources Limited	(1,149,576)	47,920,395

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	104,293,719	412,771,450
Weighted average number of ordinary shares used in calculating diluted earnings per share	104,293,719	412,771,450

	Cents	Cents
Basic earnings/(loss) per share	(1.10)	11.61
Diluted earnings/(loss) per share	(1.10)	11.61

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Alliance Resources Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. As the company has incurred a loss per AASB133 no adjustments have been made re the granted options as a reduction of the loss would be anti-dilutive.

NOTE 32. SHARE-BASED PAYMENTS

An Employee Share Option Plan (ESOP) has been established by the consolidated entity and approved by shareholders at a general meeting, whereby the consolidated entity may, at the discretion of the Remuneration Committees, grant options over ordinary shares in the parent entity to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Remuneration Committees.

Set out below are summaries of options granted under the plan:

2017 Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/11/2016*	31/08/2019	$0.12	-	1,000,000	-	-	1,000,000
30/11/2016**	31/08/2020	$0.16	-	1,000,000	-	-	1,000,000
30/11/2016***	31/08/2021	$0.20	-	1,000,000	-	-	1,000,000
30/11/2016****	31/08/2022	$0.24	-	1,000,000	-	-	1,000,000
02/04/2017	31/03/2020	$0.12	-	550,000	-	-	550,000
02/04/2017	31/03/2021	$0.16	-	550,000	-	-	550,000
02/04/2017	31/03/2022	$0.20	-	550,000	-	-	550,000
02/04/2017	31/03/2023	$0.24	-	550,000	-	-	550,000
			-	6,200,000	-	-	6,200,000

* Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.12, vesting on issue. Expiry 31 August 2019

** Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.16, vesting on 1 Sept 2017. Expiry 31 August 2020

*** Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.20, vesting on 1 Sept 2018. Expiry 31 August 2021

**** Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.24, vesting on 1 Sept 2019. Expiry 31 August 2022

Set out below are the options exercisable at the end of the financial year:

Grant and exercisable date	Expiry date	Number 2017	Number 2016
30/11/2016	31/08/2019	1,000,000	-
02/04/2017	31/03/2020	550,000	-
		1,550,000	-

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

NOTE 33. UNLISTED SHARE OPTIONS (EXCLUDING EMPLOYEE OPTIONS GRANTED PER ESOP)

No activity has occurred during the current financial year other than those options issued pursuant to the ESOP (refer note 32 above). At 30 June 2015 the Company had 59,644,110 unlisted options unexercised which had an exercise price of $0.15 and an expiry date of 30 September 2015. Up to the expiry date 16,357,354 options were exercised and converted into ordinary shares in the Company.

The balance of 43,286,756 of unlisted options lapsed on 30 September 2015 and at 30 June 2016 no unlisted options existed.

	Number 2017	Number 2016
Set out below are summaries of unlisted options (as granted pursuant to rights issue)		
Grant date: 27 January 2015 (31,416,910), 30 January 2015 (625,000) and 4 March 2015 (27,602,200)		
Balance at start of year	-	59,644,110
Exercised	-	(16,357,354)
Expired/forfeited/other	-	(43,286,756)
Balance at the end of the year	-	-

NOTE 34. EVENTS AFTER THE REPORTING PERIOD

Subsequent to balance date a new Wilcherry Project FY2018 Programme & Budget (FY2018 P&B) totalling $3,689,880 was approved by the Management Committee on 9 August 2017. Trafford subsequently confirmed it would not be contributing to the FY2018 P&B and thus will be diluting its interest in the joint venture. ACE will make up Trafford's contribution shortfall thereby increasing ACE's interest from 51% to an estimated 77.5% by the end of the FY 2018 P&B.

No other matter or circumstance has arisen since 30 June 2017 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.

Directors’ declaration

30 June 2017

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial 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.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Ian Gandel
Chairman

27 September 2017
Melbourne

Independent auditor’s report

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INDEPENDENT AUDITOR'S REPORT

To the members of Alliance Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Alliance Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of exploration and evaluation expenditures

Key audit matter	***How the matter was addressed in our audit***
Refer to note 12 in the financial report. The Group’s principal activity is exploration and evaluation and in the period they have incurred and capitalised significant exploration and evaluation expenditure. As at 30 June 2017, the group carries exploration and evaluation expenditure totalling $4,147,637 (2016: $69,346). The carrying value of exploration and evaluation expenditure is a key audit matter due to its significance to total assets, and the level of procedures undertaken to evaluate management’s application of the requirements of AASB 6 *Exploration for and Evaluation of Mineral Resources* with regards to any indicators of impairment that may be present.	Our audit procedures included, amongst others: • Obtaining evidence that the company has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditures by obtaining independent searches; • Confirming whether the rights to tenure of the areas of interest remained current at reporting date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future; • Agreeing a sample of the additions to capitalised exploration expenditure during the year to supporting documentation, and ensuring that the amounts were permissible and capitalised correctly; • Reviewing the directors’ assessment of the carrying value of the exploration and evaluation costs, ensuring that management have considered the effect of potential impairment indicators, commodity prices and the stage of the Group’s project also against the standard of AASB 6; • Reviewing budgets and challenging assumptions made by the entity to ensure that substantive expenditure on future exploration for and evaluation of the mineral resources in the areas of interest were planned; • Reviewing public (ASX) announcements and reviewing minutes of directors’ meetings to ensure that the company had not decided to discontinue activities in any of its areas of interest.

BDO

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 12 to 17 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Alliance Resources Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

James Mooney
Partner

Melbourne, 27 September 2017

Shareholder information

30 June 2017

The shareholder information set out below was applicable as at 18 September 2017.

Ordinary shares

104,293,923 fully paid ordinary shares are held by 2,188 shareholders.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary share
1 to 1,000	422	-
1,001 to 5,000	702	-
5,001 to 10,000	416	-
10,001 to 100,000	537	-
100,001 and over	111	4
	2,188	4
Holding less than a marketable parcel	1,224	-

Shareholder information

30 June 2017

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number Held	% of total shares issued
ABBOTSLEIGH PROPRIETARY LIMITED	26,547,438	25.45
JP MORGAN NOMINEES AUSTRALIA LIMITED	9,867,629	9.46
ONE MANAGED INVT FUNDS LTD (SANDON CAPITAL INV LTD A/C)	3,831,147	3.67
ABBOTSLEIGH PROPRIETARY LIMITED (THE ABBOTSLEIGH S/F A/C)	3,410,000	3.27
JETOSEA PTY LTD	2,875,726	2.76
HOME IDEAS SHOW PTY LTD (UB PROMOTIONS SPF A/C)	2,195,341	2.10
NATIONAL NOMINEES LIMITED (for SANDON CAPITAL ACTIVIST FUND)	2,186,862	2.10
MR TERRENCE PETER WILLIAMSON + MS JONINE MAREE JANCEY (THE WILJAN SUPER FUND A/C)	1,111,280	1.07
MR PETER LEMMEN + MRS SUZANNE LEMMEN (SOPLAX SUPER FUND A/C)	1,052,500	1.01
MR YURI ALEXANDER ZYLEWICZ	937,500	0.90
WONFAIR INVESTMENTS PTY LTD	925,521	0.89
MINLINK PTY LTD (STEPHEN JOHNSTON S/FUND A/C)	903,184	0.87
MS CATHERINE PATRICIA BURROW + MR KEITH LAWRENCE BURROW (KL&CP BURROW SUPER FUND A/C)	850,000	0.82
MANDEL PTY LTD (MANDEL SUPER FUND A/C)	850,000	0.82
GUTHRIE CAD/GIS SOFTWARE PTY LTD	776,498	0.74
MR PETER LEMMEN (CRENTIN P/L A/C)	667,500	0.64
CORD INVESTMENTS PTY LTD (ANDREW C FERGUSON S/F A/C)	650,000	0.62
MR LEONARD CHARLES MACKENZIE	535,300	0.51
CITICORP NOMINEES PTY LIMITED	507,623	0.49
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	503,707	0.48
	61,184,756	58.67

Shareholder information

30 June 2017

Employee Share Option Plan (ESOP)

		Options over
Name	**ordinary shares Number held**	**ordinary shares % of total options issued**
SF JOHNSTON	4,000,000	64.51
RP TOLLIDAY	1,000,000	16.13
AR GRAY	1,000,000	16.13
DM GEBERT	200,000	3.23
	6,200,000	100.00

Substantial holders

Substantial holders in the company are set out below:

		Ordinary shares
	Number held	**% of total shares issued**
Abbotsleigh Proprietary Limited (incl. Abbotsleigh Superannuation Fund)	29,957,438	28.72
Phoenix Portfolios Pty Ltd - nominee entities (1) J P Morgan Nominees Australia Limited and (2) National Nominees Limited	5,694,555	5.46

Voting rights

The voting rights attached to ordinary shares are set out below:

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.

There are no other classes of equity securities.


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