ALLIANCE RESOURCES LIMITED

ANNUAL REPORT 2014

Contents

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Chairman

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Managing Director

Ian J Gandel
Director

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ASX Code

AGS

Chairman's Letter To Shareholders

On behalf of the Board of Directors, I am pleased to report positive progress of the Company's projects over the past 12 months.

At the Company's Four Mile Uranium Project (Alliance Craton Explorer Pty Ltd (**ACE)** 25%) in South Australia, the following milestones were achieved during the reporting period:

The discovery of high grade equivalent uranium intersections at Four Mile North East (**FMNE**) located 1.2 kilometres to the northeast of the Four Mile East uranium deposit. Uranium mineralisation was intersected at FMNE over a strike length of approximately 3,200 metres and a maximum width of approximately 800 metres. Refer to the Review of Operations for further details of the exploration results.

An Exploration Target for FMNE of 8 to 18 million tonnes of mineralisation at a grade range 0.20% to 0.24% uranium oxide (U_3O_8), containing 19,000 to 35,500 tonnes U_3O_8 (41 to 78 million pounds U_3O_8). Refer to the Review of Operations for details of the Exploration Target and competent person's consent.

Quasar Resources Pty Ltd (**Quasar**), with ACE dissenting, approved the Four Mile Revised Start-Up Plan and Program and Budget on 29 January 2014.

In situ recovery mining operations at Four Mile East commenced on 14 April 2014 with uranium capture and processing at Heathgate Resources Pty Ltd's (**Heathgate**) plants.

The Four Mile Uranium Mine was officially opened by the Premier of South Australia, the Hon. Jay Weatherill MP, and the Minister for Mineral Resources and Energy, the Hon. Tom Koutsantonis MP, on 25 June 2014.

Deloitte Corporate Finance was appointed to lead a global marketing process for the sale of ACE's 25% interest in the Four Mile Uranium Project. This transaction will, if completed, free up funds to enable Alliance to further explore and expand its exploration portfolio, including but not limited to, in Australia and Chile. Any sale will be subject to shareholder approval, consent from Itochu Corporation and Quasar not exercising its pre-emptive right. Most importantly, the Board will only recommend a sale if an acceptable value is achieved and it is in the best interests of all shareholders.

The litigation between ACE and Quasar and Heathgate in the matter of misleading and deceptive conduct, was finally settled, on confidential terms, on 30 June 2014. This resolved all outstanding litigation between Quasar, Heathgate and ACE.

Post-reporting, Alliance reported total production of 408,156 pounds of uranium oxide concentrate from the Four Mile Uranium Mine for April to June (Q2) 2014 at a cash operating cost of $26.67 per pound produced and total costs for the same period are estimated at $38.33 per pound produced. Refer to the Review of Operations for details of the costings.

In addition to the above, the spot uranium price has increased by 25% since year end on the back of higher trading volumes, which is highly encouraging for Alliance as a producer.

With regard to its Chilean projects, Alliance has established three project areas in northern Chile with potential for copper, gold and silver, as follows:

Cabeza de Vaca (Alliance 90%) where Alliance acquired an option to purchase the Remolinos Proyecto 6 exploration concession which has potential for copper-gold.

Sierra Cinchado and Sierra del Potrillos (Alliance 100%) where Alliance submitted applications for exploration concessions over two areas hosting a number of copper-silver mine workings which appear to be Manto style.

Monardes Basin (Alliance 100%) where Alliance has submitted two applications for exploration concessions (Vega 1 and 2) located within the Monardes Basin and prospective for copper, gold and silver. Alliance also acquired an option to purchase the Monardes concessions located east of the Vega concessions and which are positioned over the faulted eastern margin of the Monardes sedimentary basin hosting several secondary copper occurrences occur over a strike length of 1.8 kilometres.

Alliance has established a substantial portfolio of quality projects in Chile and continues to review third party mineral properties proximate to its existing project areas.

In summary, Alliance is well positioned as a uranium producer with an excellent portfolio of copper-gold-silver projects in Chile with which to grow the Group.

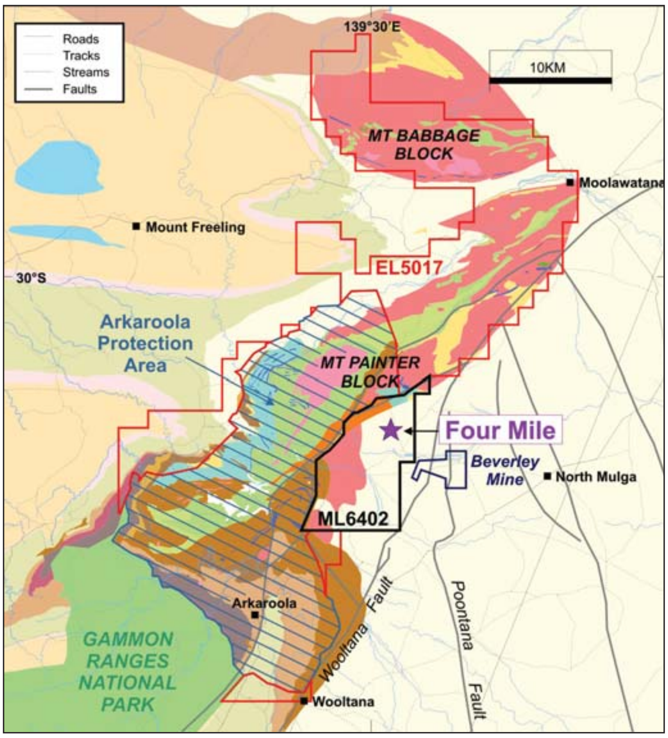
On behalf of the Board of Directors, we thank our shareholders and stakeholders for their continued support.

John Dunlop
Chairman

Review Of Operations

FOUR MILE URANIUM PROJECT (Alliance 25%)

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



Heathgate Resources Pty Ltd (**Heathgate**) farmed-in to the EL2874 (then called Arkaroola) in 2002 and shortly afterwards assigned its rights and obligations to affiliate Quasar. Quasar discovered the Four Mile uranium deposits in April 2005 and continued to sole fund exploration on the Project until a decision to mine was made by Quasar, effective on 22 October 2008, and since that date the participants contribute to expenditure in proportion to equity. ACE remains free carried in relation to activities outside the mine development area.

During the year all required approvals to begin mining in the first stage mining area of Four Mile East were received. These include:

(1) Program for Environment Protection and Rehabilitation (PEPR) for ML 6402 approved as PEPR No. PEPR2013/014 in accordance with Section 70B(5) of the Mining Act 1971 (SA);

(2) The Environment Protection Authority South Australia (EPA) approved a Licence for Mining and Mineral Processing, including Radiation Management and Radioactive Waste Management Plans;

(3) Commonwealth approval of the relevant monitoring programs and plans required under the Environment Protection and Biodiversity Conservation Act conditions was granted, and

(4) The Four Mile Uranium Mine Monitoring, Mine Closure and Community Engagement Plans as required under the Commonwealth Environment Protection and Biodiversity Conservation Act (EPBC Act) conditions were approved.

Operation

On 31 January 2014 Alliance announced that Quasar, with ACE dissenting, had approved the Four Mile (ML6402) Revised Start-Up Plan and Program and Budget (**SUPB**) on 29 January 2014[1]. The SUPB included production guidance relating to 2014 based on a series of assumptions more fully set out in those documents. ACE elected to vote against the SUPB because it considers the parties should construct an appropriately sized stand-alone plant at Four Mile in order to reduce operating costs. It also considers some of the costs included in the SUPB to be exploration, rather than mining, costs for which Quasar should be solely responsible.

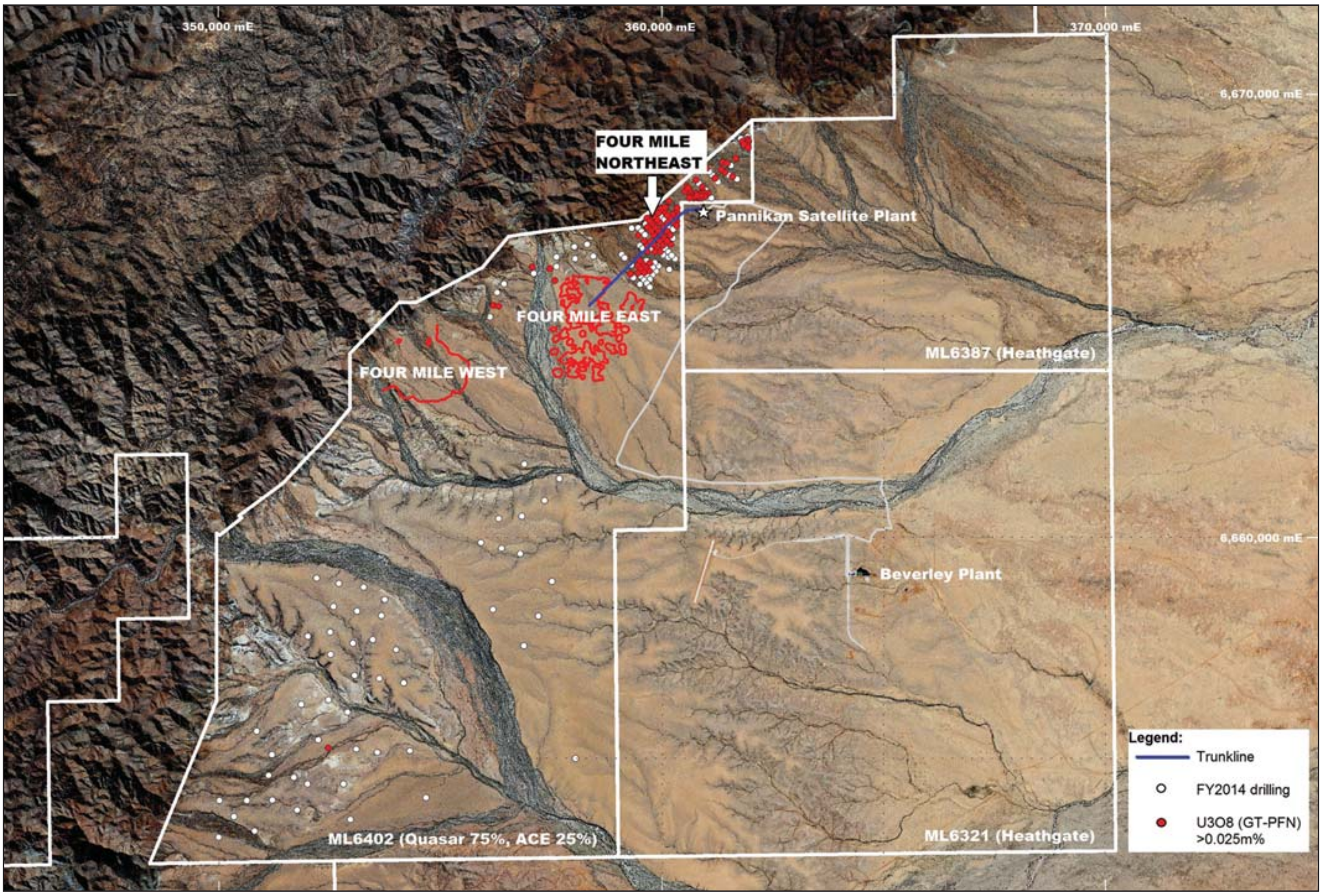
On 14 April 2014, final commissioning and start-up of in situ recovery (**ISR**) mining operations at Four Mile East wellfields FME001 and FME002 commenced with uranium capture at Heathgate's Pannikan satellite plant and precipitation, drying and packing at Heathgate's Beverley processing plant[2].

The Four Mile Uranium Mine was officially opened by the Premier of South Australia, the Hon. Jay Weatherill MP, and the Minister for Mineral Resources and Energy, the Hon. Tom Koutsantonis MP, on 25 June 2014.

1 The additional time required to obtain regulatory approval for the monitoring plan at the First Stage Mining Area of Four Mile East meant that commencement of mining operations was delayed until mid-April and, accordingly, production and cost numbers from the SUPB were, at the time, subject to revision.

2 Pursuant to the Four Mile (ML6402) Revised Start-Up Plan and Program and Budget that Quasar, with ACE dissenting, approved on 29 January 2014.

Review Of Operations



On 18 August 2014 (post-reporting), Alliance reported total production of 408,156 pounds of uranium oxide concentrate (UOC) from the Four Mile Uranium Mine for April to June (Q2) 2014 at an average cash operating cost of $26.67 per pound produced (excluding shipping, marketing and royalties as no sales have occurred).

Total costs for the same period are estimated by Alliance to average $38.33 per pound produced, including mining and processing, short-term[3] capital costs (FME drilling and wellfield construction, program management and regulatory costs), long-term[4] capital costs (trunkline, overhead powerline, engineering & construction management and asset (equipment) sales) but excludes shipping, marketing and royalties (as no sales have occurred) and regional delineation drilling[5].

Production (100%) FME, Forecast, Actual and Drummed:

Month	Forecast* (lb)	Actual (lb)	Drummed (lb)
March	31,000	0	0
April	208,000	17,812	0
May	279,000	157,069	102,088
June	277,000	233,275	220,026
Total	795,000	408,156	322,114

* Four Mile (ML6402) Revised Start-Up Plan and Program and Budget

3 Short-term capital costs proportioned as mine production to date divided by FME mineral resource of 29Mlb multiplied by 70% ISR extraction, with the exception of FME drilling and wellfield construction costs from Oct 2008 to Nov 2012, which were proportioned as wellfield production to date divided by First Stage Mining Area potentially leachable resource of 2.8Mlb (sources: Quasar's Manager's monthly report for Nov 2012 and Quasar's Revised Start-Up Plan dated 20 Dec 2013).

4 Long-term capital costs proportioned as life-of-mine production to date divided by total mineral resource of 71Mlb (Four Mile East 29Mlb, Four Mile West 42Mlb) multiplied by 70% ISR extraction.

5 ACE and Quasar disagree about the nature of the regional delineation drilling. Quasar asserts it is a mining development cost for which ACE must pay its share. ACE asserts it is an exploration cost for which Quasar must pay in full.

Review Of Operations

Four Mile Project Mineral Resource

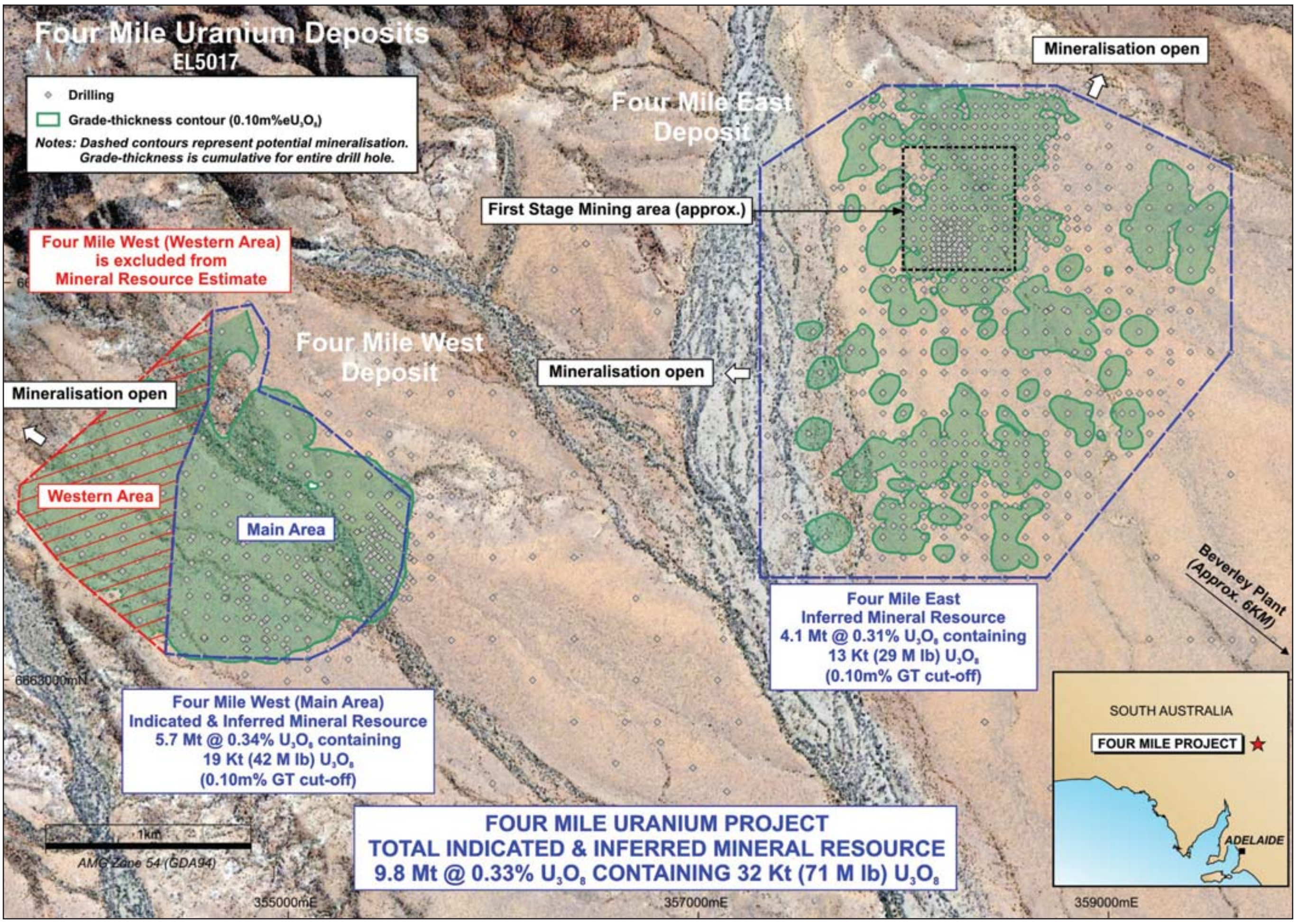
During the year, a mineral resource estimate for the Four Mile project was announced in accordance with the JORC Code (2012 Edition). Refer to Alliance's ASX announcement dated 20 December 2013 for details of the mineral resource estimate and competent persons' consents.

There has been no material change to the mineral resource estimate since the ASX announcement dated 20 December 2013 except for depletion of the mineral resource due to mining during the year. Refer to above table for details.

The mineral resource estimate for the Four Mile Uranium Project at 30 June 2014 is as follows:

Deposit	GT Cutoff %	Ore Mass tonnes	U_3O_8 %	U_3O_8 Tonnes	U_3O_8 Mlb	JORC Classification
Four Mile West	0.10	4,100,000	0.34	14,000	32	Indicated
Four Mile West	0.10	1,500,000	0.31	4,700	9	Inferred
Four Mile West	**0.10**	**5,700,000**	**0.34**	**19,000**	**42**	
Four Mile East	0.10	4,100,000	0.31	13,000	29	Inferred
Sub-Total	**0.10**	**9,800,000**	**0.33**	**32,000**	**71**	
Mined (Four Mile East)	0.10	101,000	0.26	264	0.6	Inferred
TOTAL	**0.10**	**9,699,000**	**0.33**	**31,736**	**70.4**	

* Minor apparent multiplication mismatches are due to post-computational rounding of all entries to 2 significant figures.



Legal Proceedings

The litigation between ACE and Quasar and Heathgate in the matter of misleading and deceptive conduct, was finally settled, on confidential terms, on 30 June 2014. This resolved all outstanding litigation between Quasar, Heathgate and ACE.

Exploration

During the reporting period, Alliance announced the discovery of high grade equivalent uranium intersections at Four Mile Northeast (FMNE) located 1.2 kilometres to the northeast of the Four Mile East uranium deposit.

A total of 215 rotary mud holes were drilled within ML6402 between November 2013 and 28 May 2014 for 54,289 metres. In addition, one diamond drill hole was drilled for 284 metres.

Significant uranium intersections at Four Mile Northeast >0.5m% (GT-PFN), include:

Hole ID	m @ % pU_3O_8	m% pU_3O_8
FMD0001	3.7m @ 0.14%	GT 0.51
	5.0m @ 0.18%	GT 0.92
	2.8m @ 0.26%	GT 0.73
FMD0002*	7.96m @ 0.37%	GT 2.94
FMD0003	7.0m @ 1.19%	GT 8.32
FMD0006	9.0m @ 0.85%	GT 7.65
FMD0015	5.9m @ 0.14%	GT 0.85
	6.5m @ 0.54%	GT 3.5
FMD0017*	3.7m @ 0.39%	GT 1.44
FMD0018*	3.2m @ 0.45%	GT 1.44
	1.7m @ 0.3%	GT 0.51
	2.6m @ 0.39%	GT 1.01
FMD0019*	10m @ 0.1%	GT 1.00
FMD0025*	7m @ 0.12%	GT 0.84
FMD0039	3.8m @ 0.30%	GT 1.14
FMD0039	1.5m @ 0.53%	GT 0.80
FMD0039	1.5m @ 0.35%	GT 0.53
FMD0040	15.3m @ 0.13%	GT 1.99
FMD0040	2.3m @ 0.31%	GT 0.71
FMD0040	4.9m @ 1.83%	GT 8.97
FMD0043	3.3m @ 0.45%	GT 1.49
FMD0044	5.8m @ 0.55%	GT 3.19
FMD0044	4.6m @ 0.46%	GT 2.12
FMD0045	7.7m @ 0.19%	GT 1.46
FMD0045	1.3m @ 0.60%	GT 0.78
FMD0045	0.9m @ 0.61%	GT 0.55
FMD0046	4.3m @ 0.30%	GT 1.29
FMD0049	2.3m @ 0.89%	GT 2.05
FMD0049	2.0m @ 0.87%	GT 1.74

* FMD002 reference above to pU_3O_8 should actually be to eU_3O_8

Hole ID	m @ % pU_3O_8	m% pU_3O_8
FMD0054	1.4m @ 0.68%	GT 0.95
FMD0064	1.0m @ 0.53%	GT 0.53
FMD0106	1.0m @ 0.73%	GT 0.73
FMD0109	1.9m @ 0.37%	GT 0.70
FMD0112	1.2m @ 0.42%	GT 0.50
FMD0116	1.7m @ 0.30%	GT 0.51
FMD0119	10.4m @ 0.23%	GT 2.39
FMD0131	7.7m @ 0.32%	GT 2.46
FMD0133	2.1m @ 1.12%	GT 2.35
FMD0135	1.4m @ 0.86%	GT 1.20
FMD0142	2.6m @ 0.27%	GT 0.70
FMD0144	5.8m @ 0.24%	GT 1.39
FMD0152	2.3m @ 0.27%	GT 0.62
FMD0156	1.4m @ 0.70%	GT 0.98
FMD0166	2.0m @ 0.43%	GT 0.86
FMD0170	10.9m @ 0.59%	GT 6.43
FMD0174	6.7m @ 0.70%	GT 4.69
FMD0178	7.5m @ 0.10%	GT 0.75
FMD0182	2.0m @ 1.38%	GT 2.76
FMD0184	3.2m @ 0.21%	GT 0.67
FMD0187	2.1m @ 0.48%	GT 1.01
FMD0188	1.9m @ 0.32%	GT 0.61
FMD0191	3.6m @ 0.16%	GT 0.58
FMC001	2.7m @ 0.27%	GT 0.73
FMC001	8.4m @ 0.65%	GT 5.46

pU_3O_8 is the equivalent grade as estimated from Prompt Fission Neutron (PFN) logging. eU_3O_8 is the equivalent grade as estimated from Gamma logging. GT = grade (%pU_3O_8) x thickness (m).

In addition, FMD0203, drilled north of Four Mile East, intersected 1.8m @ 0.37% pU_3O_8 (GT 0.67).

Uranium mineralisation was intersected at FMNE over a strike length of approximately 3,200 metres and a maximum width of approximately 800 metres. Depth to the top of mineralisation varies from 121 to 279 metres. Thickness of individual intersections varies from 0.5 to 15.3 metres. The average cumulative thickness of intercepts in holes reporting mineralisation was 4.09 metres.

The results continue to support the Four Mile region as one of Australia's great uranium provinces.

A single diamond core hole (FMC001) was drilled for 284 metres at FMNE to twin a mineralised interval (9m @ 0.85% pU_3O_8) intersected in FMD0006.

Review Of Operations

Uranium mineralisation was also intersected in three out of seven holes drilled between Four Mile East and Four Mile West in an area of limited drilling from 2005 to 2008, as follows:

Hole ID	m @ % pU_3O_8	m% pU_3O_8
FMD0032	0.8m @ 0.09%	GT 0.07
FMD0034	0.9m @ 0.12%	GT 0.11
FMD0037	0.6m @ 0.10%	GT 0.06

Forty-one holes (FMD0065 to FMD0105) have been drilled in the southern part of ML6402. All but one of these holes produced no significant grades; the best interval in the one mineralised hole, FMD0085, was 0.5m @ 0.15% pU_3O_8 from 149.5m.

It is emphasised that results may be subject to revision upon checking of the geophysical logs.

Refer to Alliance's ASX announcements dated 19 December 2013, 17 January 2014, 6 February 2014, 3 April 2014 and 23 June 2014 for details of the exploration results and competent person's consents.

No delineation (exploration) drilling was undertaken during June 2014.

Four Mile Northeast Uranium Prospect - Exploration Target

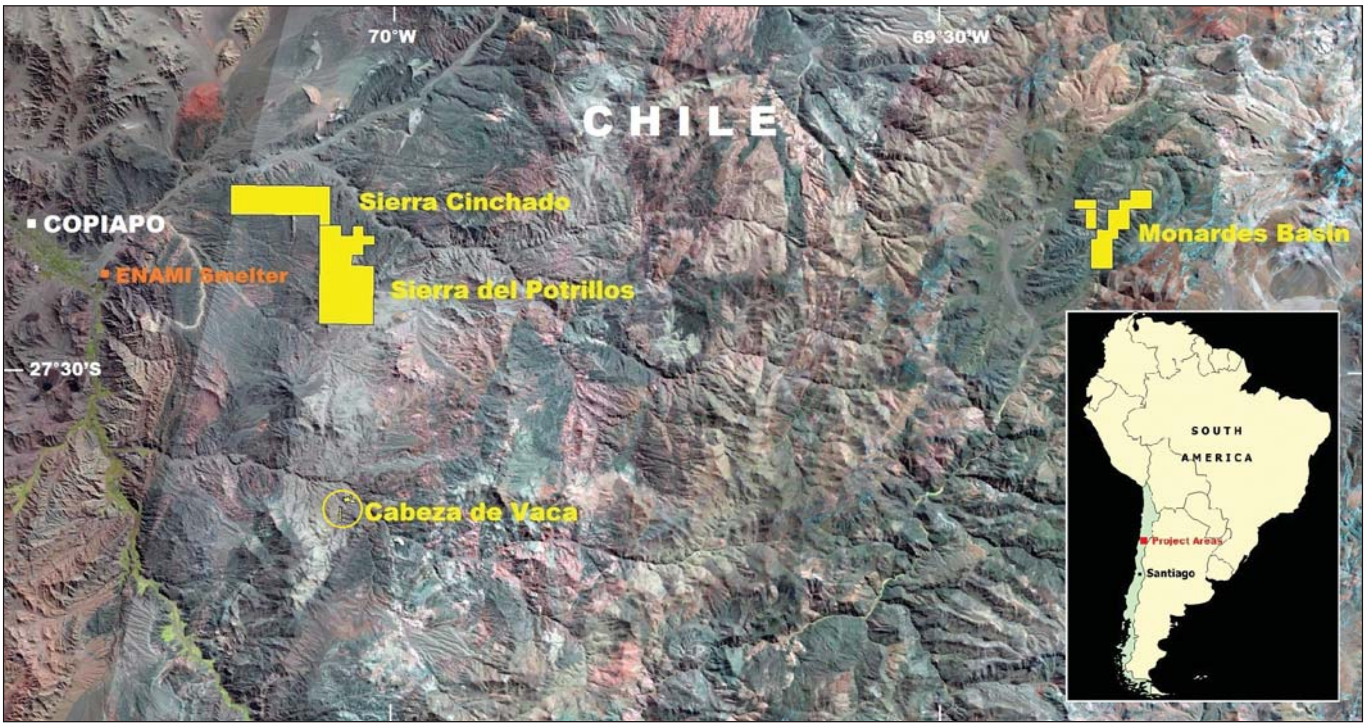
On 18 February 2014, Alliance announced an Exploration Target for the FMNE uranium prospect of 8 to 18 million tonnes of mineralisation at a grade range 0.20% to 0.24% uranium oxide (U_3O_8), containing 19,000 to 35,500 tonnes U_3O_8 (41 to 78 million pounds U_3O_8). The potential quantity and grade is conceptual in nature. There has been insufficient exploration drilling to estimate a Mineral Resource and it remains uncertain if further exploration will result in the estimation of a Mineral Resource. The Exploration Target was estimated in order to provide the market with an assessment of the potential scale of the FMNE deposit using the exploration results from FMNE to 6 February 2014.

Refer to page 9 of this report for details of the Exploration Target and competent person's consent.

Sale of ACE's share in Four Mile

On 17 June 2014, Alliance announced that it had appointed Deloitte Corporate Finance to lead a global marketing process for the sale of ACE's 25% interest in the Four Mile Uranium Project.

This transaction will, if completed, free up funds to enable Alliance to further explore and expand its exploration portfolio, including but not limited to, in Australia and Chile. Any sale will be subject to shareholder approval, consent from Itochu Corporation and Quasar not exercising its pre-emptive right. Details of the prospective



purchaser and the sale consideration will be disclosed and an independent valuation will be available at the time that the notice of meeting is sent to assist shareholders to evaluate the fairness of the sale price and terms. Most importantly, the Board will only recommend a sale if an acceptable value is achieved and it is in the best interests of **all** shareholders.

Contributions to Development

ACE paid $4,252,738 towards the cost of development of the Four Mile Project during the year ($20,543,830 to-date). ACE disputes the validity of the cash calls made by Quasar and, in making these payments, has reserved all of its rights. The payments have been made to preserve ACE's participatory rights in the Four Mile Project[6].

CHILEAN COPPER-GOLD-SILVER PROJECTS

Alliance (Chile) Pty Ltd (**Alliance Chile**) has three project areas in Atacama Region III, located in northern Chile's iron-oxide copper-gold belt with potential for copper, gold and silver.

Cabeza de Vaca (Alliance Chile 90%)

Under the terms of an agreement between Alliance Chile and Minera Abre Fuego Ltda (MAF), Alliance Chile holds 90% and MAF 10% of the exploration, prospecting or mining rights within defined areas of the project. Alliance Chile has the right to acquire the whole of MAF's interest in the areas at an agreed price following the establishment of an Inferred mineral resource. These areas were selected by MAF after two years reconnaissance and the inspection of over sixty different mineralised areas in central and northern Chile.

During the year Alliance Chile acquired an option to purchase the Remolinos Proyecto 6 exploitation concession for the sum of US$250,000 with payments for Year 0 US$25,000; Year 1 US$50,000; Year 2 US$75,000; Year 3 US$100,000.

No fieldwork was conducted during the year.

Sierra Cinchado/Sierra del Potrillos (Alliance Chile 100%)

Alliance Chile submitted applications for exploration concessions over two areas approximately 25 km east of Copiapo, in Atamaca Region III. Both areas have a number of mine workings which appear to be Manto style copper and silver. There are 27 applications: 10 in **Sierra Cinchado** area and 17 in **Sierra del Potrillos** area, for a total area of 7,200Ha. When granted Alliance Chile will hold 100% of these concessions, excluding existing underlying exploitation concessions.

A regional stream sediment sampling program was conducted to the west of the northeast–trending Cinchado Fault Zone in the western part of the Sierra Cinchado concession. A total of 122 sediment samples were collected and submitted for analysis for 34 elements. Analyses have been received with no outstanding anomalies to report. Further work is in progress to check for more subtle multi-element responses that may be significant guides to mineralisation.

The Cinchado Fault zone is the primary target for Cu-Ag vein and manto style mineralisation. The fault, part of the extensive Elisa de Bordos fault system in northern Chile, juxtaposes thick volcanic-volcanoclastic sequences of Cretaceous age belonging to the Cerillos and Hornitos Formations. Mining is currently active along the fault zone south of Alliance Chile's concession area and hydrothermal alteration with secondary Cu showings persists along the fault zone to the north within Alliance Chile's concessions.

Monardes Basin (Alliance Chile 100% or right to earn 100%)

Alliance Chile submitted two applications for exploration concessions over an area located approximately 95 km east of Copiapo. The concessions are named Vega 1 and 2 and are located within the **Monardes Basin** adjacent to the Maricunga Belt metallogenic province of the Atacama Region III. Alliance considers the area prospective for copper, gold and silver.

Alliance Chile also acquired an option to purchase the Monardes concessions -for US$2.5M with payments for Year 0 US$50,000; Year 1 US$75,000; Year 2 US $100,000 and a Year 3 exercise payment of US$2.25M. The Monardes concessions are located east of Alliance Chile's Vega concessions and are positioned over the faulted eastern margin of the Monardes sedimentary basin which comprises the primary target for mineralisation. Several secondary Cu occurrences occur over a strike length of 1.8km within quartz-pebble conglomerates.

6 ACE disputes the validity of the cash calls made by Quasar and, in making these payments, has reserved all of its rights. The payments are made to preserve ACE's participatory rights in the Four Mile project.

Review Of Operations

EAST FROME COPPER-BASE METALS PROJECT (Alliance (NSW) Pty Ltd 100%)

The East Frome Project is located approximately 30 km to the northwest of Broken Hill, New South Wales. The project is prospective for copper-gold mineralisation and Broken Hill style lead-zinc-silver mineralisation.

No fieldwork was conducted during the reporting period. Alliance (NSW) Pty Ltd surrendered EL6836 and EL7128 during the year.

OTHER

Alliance surrendered the Warrina copper-gold project tenements, EL4802 and EL4997, during the reporting period.

STRATEGIC ALLIANCE WITH ITOCHU CORPORATION

During early 2012 Alliance announced that it had agreed to form a strategic alliance with ITOCHU Corporation. As part of the alliance ITOCHU Corporation, through its wholly owned subsidiary NURA 3 Pty Ltd ("ITOCHU"), will have the right to subscribe for 59,735,223 shares in Alliance or 14.9% of the issued share capital in ACE and, subject to exercising its rights, an option to acquire a further 25.1% in ACE ("Transaction").

A summary of the material terms of the Transaction were included in the Explanatory Memorandum to shareholders which accompanied the notice of general meeting dispatched on 17 July 2012.

A General Meeting of shareholders was held on 15 August 2012 at which the issue of the rights to ITOCHU and their conversion into shares was approved.

INVESTMENTS

Alliance holds 22,000,000 ordinary shares in Octagonal Resources Ltd which equates to approximately 12.97% of Octagonal's issued share capital.

TENEMENTS

Tenement	Name	Location	Beneficial percentage held at 30 June 2014	Beneficial percentage acquired or disposed of during the year ended 30 June 2014
South Australia (Alliance Craton Explorer Pty Ltd)				
EL5017	Four Mile	300km NE of Port Augusta, SA	25%	
ML6402	Four Mile	300km NE of Port Augusta, SA	25%	
New South Wales (Alliance (NSW) Pty Ltd)				
EL7128	East Frome	32km NW of Broken Hill, NSW	0%	100% (expired)
EL7210	East Frome	40km W of Broken Hill, NSW	100%	
EL7636	East Frome	40km W of Broken Hill, NSW	100%	
Chile (Alliance (Chile) Pty Ltd)				
Paola	Cabeza de Vaca	40km SE of Copiapo, Chile	0% (option to purchase 90%*)	
Ceci I 1/8	Cabeza de Vaca	40km SE of Copiapo, Chile	0% (option to purchase 90%*)	
Kamikaze A1/II	Cabeza de Vaca	41km SE of Copiapo, Chile	0% (option to purchase 90%*)	
Plano 01, 02 and 03	Cabeza de Vaca	40km SE of Copiapo, Chile	90%*	
Remolinos 6, 1 AL 20	Cabeza de Vaca	39km SE of Copiapo, Chile	0% (option to purchase 90%*)	
Remo Uno	Cabeza de Vaca	39km SE of Copiapo, Chile	90%*	90%* (application)
10 concessions	Sierra Cinchado	25km east of Copiapo	100%	
17 concessions	Sierra del Potrillos	25km east of Copiapo	100%	
Vega 1 and 2	Monardes Basin	95km east of Copiapo	100%	
Monardes 1-3, 4-9-1/20; Huachi 1/20	Monardes Basin	95km east of Copiapo	0% (option to purchase 100%)	0% (acquired option to purchase 100%)

*Under the terms of an agreement between Alliance (Chile) Pty Ltd and Minera Abre Fuego Ltda (MAF), Alliance (Chile) Pty Ltd holds 90% and MAF 10% respectively of the exploration, prospecting or mining rights within defined areas of the project.

FOUR MILE NORTHEAST URANIUM PROSPECT – EXPLORATION TARGET

The Exploration Target for the Four Mile Northeast (FMNE) uranium prospect is:

8 to 18 million tonnes of mineralisation at a grade range 0.20% to 0.24% uranium oxide (U_3O_8), containing 19,000 to 35,500 tonnes U_3O_8 (41 to 78 million lb U_3O_8)(1)

The potential quantity and grade is conceptual in nature. There has been insufficient exploration drilling to estimate a Mineral Resource and it remains uncertain if further exploration will result in the estimation of a Mineral Resource.

The Exploration Target was estimated in order to provide the market with an assessment of the potential scale of the FMNE deposit using the Exploration Results from FMNE to 6 February 2014.

The Exploration Target takes no account of geological complexity, possible mining method or metallurgical recovery factors. It is acknowledged that the currently available data is insufficient spatially in terms of the density of drill holes, and in quality, in terms of Alliance's final audit of procedures for down hole data, data acquisition and processing, for the results of this analysis to be classified as a Mineral Resource in accordance with the JORC Code. The analysis undertaken has been essentially statistical and geostatistical with minimal reference to geology, although it is clear that stratigraphy, lithology and structure have a major impact on the continuity and grade of uranium mineralisation at FMNE.

The Exploration Target is reported in accordance with Clause 17 of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 Edition) (**JORC Code**).

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

Background

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

Exploration drilling at FMNE, located 1,200 metres to the north-east of the Four Mile East uranium deposit, has been successful in the discovery of new high grade uranium mineralisation over a strike length of 2,200 metres. Additional high grade intersections have been made along strike in the far north east of ML6402 adjacent to Heathgate Resources Pty Ltd's (**Heathgate**) Pepegoona uranium deposit. The new discovery in part surrounds, and is therefore contiguous with, Heathgate's Pannikan uranium deposit to the south (see Figure 1). It is apparent from these associations that there is a regional scale roll front along which high grade uranium mineralisation is present at Four Mile West, Four Mile East, Pannikan, Pepegoona and now FMNE. Between FMNE and the high grade intersections close to the border with Pepegoona is a strike length of 1,000 metres on which no drilling has taken place and which therefore holds potential for further discovery.

Figure 1 shows the location of FMNE prospect.

Exploration results utilised in the estimation of the Exploration Target are presented in Table B. Refer also to ASX announcements dated 19 December 2013, 17 January 2014 and 6 February 2014.

The area has been subdivided into three zones for the purpose of Exploration Target estimation. Zone 1 includes 41 drill holes in the north-east sector, Zone 3 includes 11 drill holes in the far north east sector adjacent to Heathgate's Pepegoona deposit and Zone 2 is the area of no drilling between Zone 1 and Zone 3. An Exploration Target for Zone 2 is not included as future drilling in this zone is uncertain. The surrounding boundary limit for the estimations conforms in part to the boundary of ML6402 (see Figure 2).

Multiple uranium intercepts in the majority of the drill holes show that several roll front type bodies may be present. The individual bodies are likely to have ribbon style geometries arrayed along a regional north east strike. There is insufficient drill hole data to define individual roll fronts.

It should be noted that ACE has not had the opportunity to examine and audit the data, data acquisition and processing procedures used by Heathgate and Quasar for determination of down hole thickness and grades and the information set out in this announcement is taken from Quasar's reports to ACE.

In order to provide estimates of the Exploration Target at FMNE the cumulative thickness-weighted average grade and the cumulative grade x thickness (GT) values from the Prompt Fission Neutron (PFN) down hole logs of drill holes have been used to inform a 2D dataset. Where PFN data was not available, in drill holes FMD002, FMD007 and FMD038, equivalent U308 grade data from gamma logs has been used. Grade and GT continuity between individual intersections or between cumulative GT values in drill holes at nominal spacing of 400m x 100m is insufficient for the purpose of estimating a mineral resource estimate. Variogram analysis of the 2D dataset confirms that there is no spatial correlation between cumulative GT values over a distance of 2,000 metres, the best fit model being linear with a flat sill close to the sample variance at

4.85 (sample variance 5.75). However, for the purpose of an upper Exploration Target estimate, continuity of uranium mineralisation (i.e. not specific cumulative GT values) over the area of exploration drilling has been assumed. This assumption is supported by variogram analysis of the average grade data which yielded a best fit model exponential variogram with a nugget variance of 0.01, a sill of 0.054 and a range of 237 metres.

Several estimates of in situ uranium endowment based on the cumulative GT of drill hole intercepts have been made using different estimation methods. These estimates have been used to infer an Exploration Target of in situ uranium endowment for the area between Four Mile East and the border of ML6402 with Heathgate's ML6387. Refer Table A.

Criteria

Geology and geological interpretation: The mineralisation is of the sandstone uranium type, associated with redox interfaces. The mineralisation announced today is interpreted to lie within an apparent regional roll-front type redox interface that embraces the Four Mile West, Four Mile East, Pepegoona and Pannikan deposits over a total strike length of 7.5 kilometres.

A detailed interpretation of the sedimentary sequence is not yet available for these preliminary drill holes.

Mineralisation is hosted in Mesozoic sediments of the Frome Embayment and underlain by crystalline Meso/Palaeoproterozoic basement, with Mesoproterozoic granites considered source rocks. Other deposits occur in Tertiary sands of the overlying Callabonna Sub Basin of the Lake Eyre Basin, extending over an area of approximately 25,000km2 between the Mount Painter Inlier in the northwest, Olary Block to the south and Broken Hill Block to the east.

Drilling technique (and data spacing): Drill holes are drilled vertically using the rotary mud method. Depth to top of mineralisation varies from 205.8 to 278.7 metres. Depth to base of mineralisation varies from 206.4 to 279.3 metres. Maximum depth drilled was 397 metres. Drill hole fences are mostly 400m apart with hole locations spaced at 100m intervals along the fences, although there are exceptions to this spacing due to the shape of Mineral Lease 6402. The actual location of drill holes to be completed is dependent on the discovered locations of redox/roll fronts.

Sampling and sub-sampling techniques: The principal sampling method was by downhole geophysical Prompt Fission Neutron (PFN) and gamma probes in rotary mud drill holes for both grade and lithological logging, with in-situ sample intervals varying in the range 1-10cm. The natural gamma tool is calibrated for uranium grade at the 'Adelaide Model' geophysical calibration pits. The PFN is calibrated at the purpose built calibration facility located at Beverley. Sub-samples of the chip cuttings are stored in chip trays as a physical record of the intersection sequence. Handheld XRF analyses of chip tray samples are collected. The rotary mud chip cuttings are collectively photographed at the drill site.

Sample analysis method: The majority of PFN grade logging directly measures in-situ uranium grade, thus avoiding the issue of variable radiometric disequilibrium that can affect results from gamma, which measures daughter products. Both natural gamma and PFN grade tools were calibrated at the SA government (DWLBC) 'Adelaide Model' pits at Frewville and later (PFN only) in a purpose-built facility at Beverley.

Estimation Methodology: Several estimation methods have been used to provide a range of Exploration Target estimates:

- Unconstrained polygonal using Voronoi-Direchlet tessalation to define an area of influence for each cumulative grade x thickness value.
- Restricted polygonal – as above with polygon areas greater than 20,000 m2 cut to 20,000 m2.
- Block Kriging, 50 x 50m blocks: 400x 100m search ellipse oriented 45oE. A minimum of 1 data value required within the search area to inform a block.
- Block Kriging, 50 x 50m blocks: 400x 100m search ellipse oriented 45oE. A minimum of 3 data values required within the search area to inform a block.
- Inverse Distance Weighting (IDW) block model, 50 x 50m blocks: 400x 100m search ellipse oriented 45oE. A minimum of 1 data value required within the search area to inform a block.
- Inverse Distance Weighting (IDW) block model, 50 x 50m blocks: 400x 100m search ellipse oriented 45oE. A minimum of 3 data values required within the search area to inform a block.

Cut-off grade, including the basis for the selected cut-off grade: Estimates were made at a GT cut-off, applied to drill intercepts of 0.5 m minimum thickness and 0.03% minimum U_3O_8 grade, with up to 1 m of internal dilution allowed. A cut-off factor of 0.03m% U_3O_8 was applied to the output block GT values following processing using the kriging and IDW algorithms. A dry bulk density factor of 1.8 tonnes/m3 was used for the conversion of volume to mass.

Criteria use for classification, including drill and data spacing and distribution:

A classification is not applicable for an Exploration Target. Drill and data spacing is described elsewhere.

Mining and metallurgical methods and parameters:

As noted above, the assessment takes no account of possible mining method or metallurgical methods and parameters.

Table A: Exploration Target - summary of estimates

Method	Mineralised Mass (tonnes)	Average Grade (% U_3O_8)	U_3O_8 (tonnes)	U_3O_8 (lb)
Upper Bound				
Polygonal unconstrained	15,000,000	0.24	35,500	78,000,000
Block Kriging	18,000,000	0.2	35,500	78,000,000
IDW block model	17,000,000	0.2	35,000	77,000,000
Lower Bound				
Polygonal restricted (20K m2)	8,000,000	0.24	19,000	41,000,000
Block Kriging	11,000,000	0.21	23,500	51,000,000
IDW block model	11,000,000	0.22	23,500	52,000,000

*Minor apparent multiplication mismatches are due to post-computational rounding of all entries to 2 significant figures.

Table B: Significant intersections above cut-off criteria of 0.03% pU_3O_8, minimum width of 0.5 metres and maximum internal dilution of 1 metre. Drill hole collar locations based on handheld GPS coordinates. Intercepts >0.5m% (GT-PFN) highlighted. Dip is -90 degrees and azimuth 0 (i.e. all holes are drilled vertically).

					Gamma					PFN				
ID	GDA94_E	GDA94_N	RL (m)	Total Depth (m)	From (m)	To (m)	Interval (m)	eU_3O_8 (%)	GT	From (m)	To (m)	Interval (m)	eU_3O_8 (%)	GT
FMD0001	360329	6667342	128.90	276	221.60	225.30	3.70	0.21	0.78	221.60	225.30	3.70	0.14	0.51
FMD0001					227.20	232.20	5.00	0.21	1.05	227.20	232.20	5.00	0.18	0.92
FMD0001					253.60	256.40	2.80	0.20	0.56	253.60	256.40	2.80	0.26	0.73
FMD0002	359900	6666924	131.95	282	246.98	254.94	7.96	0.37	2.94	Blocked				-
FMD0002					219.80	221.03	1.23	0.05	0.06	Blocked				-
FMD0002					241.36	243.05	1.69	0.05	0.08	Blocked				-
FMD0003	359827	6666996	135.46	276	216.80	218.80	2.00	0.03	0.07	216.80	218.80	2.00	0.07	0.14
					249.00	256.00	7.00	0.74	5.18	249.00	256.00	7.00	1.19	8.32
FMD0004	359760	6667090	139.83	282	258.90	259.80	0.90	0.18	0.16	258.90	259.80	0.90	0.13	0.12
FMD0005	359574	6666706	138.02	276	251.00	252.00	1.00	0.035	0.035	251.00	252.00	1.00	0.03	0.03
FMD0006	359972	6666845	131.43	270	246.00	255.00	9.00	0.60	5.40	246.00	255.00	9.00	0.85	7.65
FMD0007	359650	6666591	136.66	276	243.00	244.00	1.00	0.04	0.04	No PFN				
FMD0007					251.00	252.00	1.00	0.06	0.06	No PFN				
FMD0008	359072	6666389	141.40	110	No significant grade									
FMD0009	359142	6666311	139.41	137	No significant grade									
FMD0010	359714	6666518	134.95	276	No significant grade									
FMD0011	360041	6666771	130.71	276	234.00	239.30	5.30	0.05	0.27	234.00	239.30	5.30	0.05	0.27
FMD0011					245.00	247.40	2.40	0.15	0.36	245.00	247.40	2.40	0.16	0.38
FMD0012	359286	6666153	135.83	220	No significant grade									
FMD0013	360327	6667450	129.66	276	256.60	258.40	1.80	0.21	0.38	256.60	258.40	1.80	0.15	0.27
FMD0014	360325	6667150	127.35	276	230.00	233.70	3.70	0.04	0.13	230.00	233.70	3.70	0.04	0.15
FMD0014					237.70	239.40	1.70	0.02	0.03	237.70	239.40	1.70	0.03	0.05
FMD0015	360325	6667250	128.52	270	222.00	224.60	2.60	0.03	0.06	222.00	224.60	2.60	0.03	0.08
FMD0015					243.60	249.50	5.90	0.11	0.65	243.60	249.50	5.90	0.14	0.85
FMD0015					249.50	256.00	6.50	0.37	2.41	249.50	256.00	6.50	0.54	3.51
FMD0016	360175	6667201	132.07	276	217.80	219.50	1.70	0.04	0.07	217.80	219.50	1.70	0.06	0.10
FMD0016					230.90	231.50	0.60	0.06	0.04	230.90	231.50	0.60	0.06	0.04
FMD0016					232.50	233.30	0.80	0.05	0.04	232.50	233.30	0.80	0.05	0.04
FMD0016					241.40	246.20	4.80	0.06	0.29	241.40	246.20	4.80	0.06	0.29
FMD0017	360107	6667278	135.59	276	238.50	239.10	0.60	0.06	0.04	238.50	239.10	0.60	0.07	0.04
FMD0017					242.00	242.50	0.50	0.04	0.02	242.00	242.50	0.50	0.05	0.03
FMD0017					254.30	254.80	0.50	0.1	0.05	254.30	254.80	0.50	0.11	0.06
FMD0017					258.00	261.70	3.70	0.22	0.81	258.00	261.70	3.70	0.39	1.44

					Gamma					PFN				
ID	GDA94_E	GDA94_N	RL (m)	Total Depth (m)	From (m)	To (m)	Interval (m)	eU_3O_8 (%)	GT	From (m)	To (m)	Interval (m)	eU_3O_8 (%)	GT
FMD0018	359638	6667215	148.52	282	253.80	257.00	3.20	0.48	1.54	253.80	257.00	3.20	0.45	1.44
FMD0018					258.60	263.10	4.50	0.04	0.18	258.60	263.10	4.50	0.05	0.23
FMD0018					263.80	265.50	1.70	0.17	0.29	263.80	265.50	1.70	0.30	0.51
FMD0018					268.40	271.00	2.60	0.42	1.09	268.40	271.00	2.60	0.39	1.01
FMD0019	360243	6667125	129.02	276	222.00	232.00	10.00	0.08	0.80	222.00	232.00	10.00	0.1	1.00
FMD0020	360109	6666701	129.34	276	219.00	220.00	1.00	0.16	0.16	219.00	220.00	1.00	0.2	0.20
FMD0020					229.60	230.70	1.10	0.02	0.02	229.60	230.70	1.10	0.05	0.06
FMD0021	359707	6666190	132.31	276	255.60	256.70	1.10	0.03	0.03	255.60	256.70	1.10	0.07	0.08
FMD0022	359850	6666019	128.83	272	No significant grade									
FMD0023	360182	6666629	127.95	272	219.00	220.80	1.80	0.07	0.13	219.00	220.80	1.80	0.08	0.14
FMD0024	360155	6667598	137.84	346	258.80	259.40	0.60	0.02	0.01	258.80	259.40	0.60	0.03	0.02
FMD0025	359962	6667425	141.97	282	258.00	258.80	0.80	0.16	0.13	258.00	258.80	0.80	0.11	0.09
FMD0025					266.40	273.40	7.00	0.17	1.19	266.40	273.40	7.00	0.12	0.84
FMD0026	359703	6667153	143.09	378	233.70	234.20	0.50	0.04	0.02	233.70	234.20	0.50	0.05	0.03
FMD0026					260.40	261.30	0.90	0.11	0.1	260.40	261.30	0.90	0.09	0.08
FMD0027	359299	6666988	153.73	104	No significant grade									
FMD0028	360043	6667353	138.70	294	245.20	246.00	0.80	0.04	0.03	245.20	246.00	0.80	0.06	0.05
FMD0028					247.80	248.70	0.90	0.06	0.05	247.80	248.70	0.90	0.08	0.07
FMD0028					264.10	266.50	2.40	0.04	0.10	264.10	266.50	2.40	0.06	0.14
FMD0028					269.60	270.50	0.90	0.04	0.04	269.60	270.50	0.90	0.05	0.04
FMD0029	360325	6667050	125.87	276	221.90	222.60	0.70	0.01	0.01	221.90	222.60	0.70	0.05	0.03
FMD0029					225.40	228.40	3.00	0.05	0.15	225.40	228.40	3.00	0.06	0.18
FMD0030	359450	6666824	143.78	276	249.80	250.80	1.00	0.13	0.13	249.80	250.80	1.00	0.06	0.06
FMD0031	356425	6665728	170.11	156	No significant grade									
FMD0032	357053	6666106	153.39	228	128.20	129.00	0.80	0.07	0.06	128.20	129.00	0.80	0.09	0.07
FMD0033	356267	6665530	165.13	157	No significant grade									
FMD0034	356178	6665243	158.54	168	120.70	121.60	0.90	0.12	0.11	120.70	121.60	0.90	0.12	0.11
FMD0035	356111	6664984	153.04	148	No significant grade									
FMD0036	357095	6665965	150.24	168	No significant grade									
FMD0037	356298	6665223	157.57	166	131.20	131.80	0.60	0.07	0.04	131.20	131.80	0.60	0.10	0.06
FMD0038	361925	6668955	119.97	288	225.50	231.30	5.80	0.10	0.58	No PFN				
FMD0038					243.70	246.00	2.30	0.07	0.16	No PFN				
FMD0038					253.20	255.50	2.30	0.08	0.18	No PFN				
FMD0038					277.50	278.50	1.00	0.13	0.13	No PFN				
FMD0039	361925	6669005	121.57	397	242.00	243.10	1.10	0.11	0.12	242.00	243.10	1.10	0.07	0.08
FMD0039					248.20	252.00	3.80	0.17	0.65	248.20	252.00	3.80	0.30	1.14
FMD0039					254.10	255.60	1.50	0.41	0.62	254.10	255.60	1.50	0.53	0.80
FMD0039					260.10	261.60	1.50	0.20	0.30	260.10	261.60	1.50	0.35	0.53
FMD0040	361925	6668907	119.57	300	205.80	206.40	0.60	0.04	0.02	205.80	206.40	0.60	0.26	0.16
FMD0040					218.10	218.80	0.70	0.01	0.01	218.10	218.80	0.70	0.07	0.05
FMD0040					220.00	235.30	15.30	0.06	0.92	220.00	235.30	15.30	0.13	1.99
FMD0040					236.50	237.00	0.50	0.14	0.07	236.50	237.00	0.50	0.20	0.10
FMD0040					244.30	245.00	0.70	0.21	0.15	244.30	245.00	0.70	0.17	0.12
FMD0040					246.10	248.40	2.30	0.24	0.55	246.10	248.40	2.30	0.31	0.71
FMD0040					250.10	255.00	4.90	0.83	4.07	250.10	255.00	4.90	1.83	8.97
FMD0040					275.10	276.40	1.30	0.11	0.14	275.10	276.40	1.30	0.12	0.16
FMD0041	361923	6668857	118.32	294	226.40	228.00	1.60	0.08	0.13	226.40	228.00	1.60	0.15	0.24
FMD0041					229.20	229.80	0.60	0.05	0.03	229.20	229.80	0.60	0.07	0.04
FMD0041					236.00	237.60	1.60	0.09	0.14	236.00	237.60	1.60	0.13	0.21
FMD0041					245.00	245.50	0.50	0.12	0.06	245.00	245.50	0.50	0.13	0.07
FMD0041					254.40	255.20	0.80	0.18	0.14	254.40	255.20	0.80	0.25	0.20
FMD0042	361838	6668879	120.95	300	209.30	210.00	0.70	0.05	0.03	209.30	210.00	0.70	0.15	0.10
FMD0042					234.10	236.50	2.40	0.08	0.19	234.10	236.50	2.40	0.12	0.29

ID	GDA94_E	GDA94_N	RL (m)	Total Depth (m)	Gamma From (m)	Gamma To (m)	Gamma Interval (m)	Gamma eU_3O_8 (%)	Gamma GT	PFN From (m)	PFN To (m)	PFN Interval (m)	PFN eU_3O_8 (%)	PFN GT
FMD0043	361926	6668811	115.79	300	233.10	234.00	0.90	0.08	0.07	233.10	234.00	0.90	0.11	0.10
FMD0043					244.80	245.80	1.00	0.08	0.08	244.80	245.80	1.00	0.09	0.09
FMD0043					251.60	254.90	3.30	0.35	1.16	251.60	254.90	3.30	0.45	1.49
FMD0043					266.50	267.50	1.00	0.22	0.22	266.50	267.50	1.00	0.30	0.30
FMD0043					269.80	270.50	0.70	0.29	0.20	269.80	270.50	0.70	0.40	0.28
FMD0044	361815	6668920	122.40	294	226.90	227.80	0.90	0.11	0.10	226.90	227.80	0.90	0.25	0.23
FMD0044					233.30	236.80	3.50	0.09	0.32	233.30	236.80	3.50	0.13	0.46
FMD0044					240.50	241.68	1.18	0.14	0.17	240.50	241.68	1.18	0.22	0.26
FMD0044					245.10	250.90	5.80	0.33	1.91	245.10	250.90	5.80	0.55	3.19
FMD0044					252.60	257.20	4.60	0.21	0.97	252.60	257.20	4.60	0.46	2.12
FMD0044					261.60	263.00	1.40	0.17	0.24	261.60	263.00	1.40	0.14	0.20
FMD0045	361936	6668961	120.32	294	221.60	229.30	7.70	0.09	0.69	221.60	229.30	7.70	0.19	1.46
FMD0045					234.10	234.70	0.60	0.09	0.05	234.10	234.70	0.60	0.14	0.08
FMD0045					243.70	245.00	1.30	0.44	0.57	243.70	245.00	1.30	0.60	0.78
FMD0045					250.50	251.10	0.60	0.06	0.04	250.50	251.10	0.60	0.09	0.05
FMD0045					252.60	253.30	0.70	0.14	0.10	252.60	253.30	0.70	0.11	0.08
FMD0045					254.60	255.30	0.70	0.11	0.08	254.60	255.30	0.70	0.17	0.12
FMD0045					276.50	277.40	0.90	0.34	0.31	276.50	277.40	0.90	0.61	0.55
FMD0046	361798	6668950	123.01	390	152.10	153.60	1.50	0.12	0.18	152.10	153.60	1.50	0.09	0.14
FMD0046					241.20	242.60	1.40	0.08	0.11	241.20	242.60	1.40	0.15	0.21
FMD0046					251.60	255.90	4.30	0.14	0.60	251.60	255.90	4.30	0.30	1.29
FMD0046					256.80	257.40	0.60	0.11	0.07	256.80	257.40	0.60	0.15	0.09
FMD0046					278.70	279.30	0.60	0.09	0.05	278.70	279.30	0.60	0.09	0.05
FMD0047	361760	6669011	125.07	126	No significant grade									
FMD0048	361924	6669063	121.66	90	No significant grade									
FMD0049	360804	6667672	123.77	282	245.90	248.20	2.30	0.48	1.10	245.90	248.20	2.30	0.89	2.05
FMD0049					260.70	262.70	2.00	0.50	1.00	260.70	262.70	2.00	0.87	1.74
FMD0050	360896	6667671	122.18	282	No significant grade									
FMD0051	361016	6667675	120.28	282	No significant grade									
FMD0052	361105	6667671	118.46	276	No significant grade									
FMD0053	361026	6667771	120.14	282	237.50	238.10	0.60	0.16	0.10	237.50	238.10	0.60	0.16	0.10
FMD0053					239.00	239.50	0.50	0.05	0.03	239.00	239.50	0.50	0.14	0.07
FMD0054	360707	6667671	126.18	276	260.90	262.30	1.40	0.61	0.85	260.90	262.30	1.40	0.68	0.95
FMD0054					264.10	264.70	0.60	0.08	0.05	264.10	264.70	0.60	0.09	0.05
FMD0055	360896	6667918	122.42	282	264.50	265.30	0.80	0.20	0.16	264.50	265.30	0.80	0.10	0.08
FMD0056	361187	6668115	120.65	288	219.50	220.10	0.60	0.04	0.02	219.50	220.10	0.60	0.15	0.09
FMD0056					221.70	222.80	1.10	0.29	0.32	221.70	222.80	1.10	0.43	0.47
FMD0056					227.30	227.80	0.50	0.05	0.03	227.30	227.80	0.50	0.11	0.06
FMD0057	360972	6667849	120.48	282	No significant grade									
FMD0058	360824	6667998	123.01	218	Drill hole abandoned									
FMD0059	361123	6668188	122.10	288	No significant grade									
FMD0060	361254	6668035	119.21	282	No significant grade									
FMD0061	360607	6667671	128.76	282	261.50	262.30	0.80	0.31	0.25	261.50	262.30	0.80	0.52	0.42
FMD0061					264.40	265.10	0.70	0.12	0.08	264.40	265.10	0.70	0.14	0.10
FMD0062	360988	6668338	126.16	378	214.10	215.10	1.00	0.27	0.27	214.10	215.10	1.00	0.48	0.48
FMD0062					216.60	217.10	0.50	0.06	0.03	216.60	217.10	0.50	0.18	0.09
FMD0063	361060	6668262	123.39	294	No significant grade									
FMD0064	360541	6667925	132.60	282	217.30	217.80	0.50	0.08	0.04	217.30	217.80	0.50	0.09	0.05
FMD0064					260.90	261.90	1.00	0.39	0.39	260.90	261.90	1.00	0.53	0.53
FMD0065	352195	6659078	185.81	91	No significant grade									
FMD0066	353255	6658879	165.89	120	No significant grade									
FMD0067	353107	6658336	170.86	138	No significant grade									
FMD0068	353654	6658237	167.72	144	No significant grade									
FMD0069	352579	6658438	176.33	110	No significant grade									

Review Of Operations

JORC Code Table 1 checklist of assessment and reporting criteria

Criteria	Commentary
Sampling techniques	The principal sampling method was by downhole geophysical PFN and gamma probes in rotary mud drill holes for both grade and lithological logging, PFN grade logging directly measures in-situ uranium grade, thus avoiding the issue of variable radiometric disequilibrium that can affect results from gamma, which measures uranium daughter products. The natural gamma tool is calibrated for uranium grade at the 'Adelaide Model' geophysical calibration pits. The PFN is calibrated at the purpose built calibration facility located at Beverley.
Drilling techniques	Drill holes are drilled vertically using the rotary mud method. Depth to top of mineralisation varies from 205.8 to 278.7 metres. Depth to base of mineralisation varies from 206.4 to 279.3 metres. Maximum depth drilled was 397 metres.
Drill sample recovery	Rotary mud chip cuttings are collectively photographed at the drill site. Chip tray samples are kept in storage.
Logging	Chip samples are not collected for laboratory chemical assay.
Sub-sampling techniques and sample preparation	Sub-samples of the chip cuttings are stored in chip trays as a physical record of the intersection sequence. Handheld XRF analyses of chip tray samples are collected. The rotary mud chip cuttings are collectively photographed at the drill site.
Quality of assay data and laboratory tests	PFN directly measures uranium grade. There is no conventional assay data and no laboratory tests were carried out.
Verification of sampling and assaying	PFN tools are regularly calibrated at a calibration facility located at Beverley. No sampling or conventional assaying was carried out.
Location of data points	Collar coordinates were determined by handheld GPS. Survey data are GDA94, MGA Zone 54.
Data spacing and distribution	Although full grid drilling was not envisaged for this drill program, provisional drill holes were planned in fences mostly 400m apart with hole locations spaced at 100m intervals along the fences, although there are exceptions to this spacing due to the shape of Mineral Lease 6402. The actual location of drill holes to be completed is dependent on the discovered locations of redox/roll fronts.
Orientation of data in relation to geological structure	Drill holes fences are oriented perpendicular to the interpreted strike of the large scale regional roll-front redox boundary. Vertical drilling intersects the expected sub-horizontal sediments and mineralization at close to right angles.
Sample security	Drill hole cuttings are stored at the Beverley Mine.
Audits or reviews	The raw data underpinning the information contained herein has not been independently reviewed by Mr Bowden and Mr Johnston as CP for Alliance and relies on information provided by Quasar Resources Pty Ltd, the manager and holder of a 75% interest in the Project
Mineral tenement and land tenure status	Mineral Lease 6402 is held 25% by Alliance Craton Explorer Pty Ltd (a wholly owned subsidiary of Alliance Resources Limited)(ACE) and 75% by Quasar Resources Pty Ltd (Quasar), an affiliate of Heathgate Resources Pty Ltd (Heathgate), both wholly owned subsidiaries of private US corporation, General Atomics. Quasar as manager for the project, utilizes staff, facilities and equipment at Heathgate's adjacent Beverley Mine site. A Native Title Mining Agreement is in effect with traditional owners. The 12,206ha mining lease was granted for a period of 10 years from 26 April 2012 and production planning is progressing for the Four Mile East deposit.
Exploration done by other parties	The Oilmin-Transoil-Petromin Group discovered Beverley in 1969 and ISL development was proposed by South Australian Uranium Corp in 1982 but did not proceed until after Heathgate acquired it in 1990 and commenced production in 2000. In 2005 Quasar resumed exploration drilling at 4,000m x 2,000m spacing on the 'Arkaroola' licence to the west (then held by ACE).This led to the discovery of Four Mile East in hole AK010 which returned 1m @ 0.16% eU_3O_8 from 181m depth.
Geology	The mineralisation is of the sandstone uranium type, associated with redox interfaces. The mineralisation announced today is interpreted to lie within an apparent regional roll-front type redox interface that embraces the Four Mile West, Four Mile East, Pepegoona and Pannikan deposits over a total strike length of 7.5 kilometres. A detailed interpretation of the sedimentary sequence is not yet available for these preliminary drill holes. Mineralisation is hosted in Mesozoic sediments of the Frome Embayment and underlain by crystalline Meso/Palaeoproterozoic basement, with Mesoproterozoic granites considered source rocks. Other deposits occur in Tertiary sands of the overlying Callabonna Sub Basin of the Lake Eyre Basin, extending over an area of approximately 25,000km2 between the Mount Painter Inlier in the north west, Olary Block to the south and Broken Hill Block to the east.

Criteria	Commentary
Drill hole Information	Drill hole coordinates together with uranium mineralized intersections detected by PFN and gamma log probes are presented in Table B.
Data aggregation methods	PFN grade logging directly measures in-situ uranium grade and thickness. For gamma logs, the area under an anomalous gamma curve is proportional to the grade x thickness (GT) of the mineralised intercept. In both cases calibration data unique to the individual probe are used to "correct" the measured data to standard measures in purpose built calibration facilities. In order to derive an estimate of equivalent uranium grade from gamma logs it is necessary to estimate the intercept thickness (T) and calculate grade by division grade G=GT/T. Anomalous intersections indicated by the down hole gamma probe are expected to exceed the true width due to the "shoulder effect" whereby radiation is "recorded'" by the probe as it approaches and leaves the mineralised zone. Classically, the shoulder effect is compensated in gamma logs by a deconvolution process. This process is not utilised by Quasar which, as a "rule of thumb", applies the PFN derived thickness to the gamma log GT to obtain gamma log equivalent grade.
Relationship between mineralisation widths and intercept lengths	Unless there has been significant structural disturbance the sedimentary beds are expected to be sub-horizontal and the intersected thickness is expected to be close to the true thickness.
Diagrams	Plan Figure 1: Distribution of regional drilling at Four Mile; Plan Figure 2: Four Mile Northeast drill hole locations showing uranium intercepts >0.03% pU_3O_8 and Table B: Significant intersections above cut-off criteria of 0.03% pU_3O_8, minimum width of 0.5 metres and maximum internal dilution of 1 metre, are included in this announcement. For Exploration Target tonnage calculations a cut-off of 0.03m% U_3O_8 was applied to the output polygon and block GT data.
Balanced reporting	The results for all significant intersections (i.e. intersections with significant reportable uranium equivalent grade) are shown in Table B.
Other substantive exploration data	Assuming no sampling or calibration errors, the difference between the gamma derived equivalent uranium grade and the PFN measured uranium grade should be a measure of disequilibrium within the mineralised intersection. Inspection of the exploration results implies significant disequilibrium is present in this area.
Further work	The current drill program is in progress.

COMPETENT PERSON'S STATEMENTS

The information in this report that relates to Exploration Results and the Exploration Target is based on information compiled by Mr Andrew Bowden who is a Chartered Geologist and Fellow of the Geological Society of London, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time and Mr Stephen Johnston who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Bowden and Mr Johnston are part-time and full-time employees, respectively, of Alliance Resources Ltd and have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bowden and Mr Johnston consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Mr Andrew Bowden who is a Chartered geologist and fellow of the Geological Society of London, a Recognised Overseas Professional Organisation included in a list promulgated by the ASX from time to time. Mr Bowden is a part-time employee of Alliance Resources Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Bowden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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 2014.

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:

John SF Dunlop (Chairman)

Ian J Gandel (Non-Executive Director)

Anthony D Lethlean (Non-Executive Director)

Stephen F Johnston (Managing Director)

Principal activities

The principal activities of the consolidated entity during the financial year were in uranium mine development & exploration and copper-gold & base metals exploration in South Australia, Chile and New South Wales.

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 amounted to $16,978,190 (30 June 2013: $7,288,361).

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.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Four Mile Uranium Project (Alliance Craton Explorer Pty Ltd 25%)

On 6 December 2013, Alliance announced the discovery of high grade equivalent uranium intersections at Four Mile North East (FMNE) located 1.2 kilometres to the northeast of the Four Mile East uranium deposit. Uranium mineralisation was intersected at FMNE over a strike length of approximately 3,200 metres and a maximum width of approximately 800 metres. Depth to the top of mineralisation varied from 121 to 279 metres. Thickness of individual intersections varied from 0.5 to 15.3 metres. The average cumulative thickness of intercepts in holes reporting mineralisation was 4.09 metres.

On 18 February 2014, Alliance announced an exploration target for FMNE of 8 to 18 million tonnes of mineralisation at a grade range 0.20% to 0.24% uranium oxide (U_3O_8), containing 19,000 to 35,500 tonnes U_3O_8 (41 to 78 million pounds U_3O_8). The potential quantity and grade was conceptual in nature. There had been insufficient exploration drilling to estimate a Mineral Resource and it remains uncertain if further exploration will result in the estimation of a Mineral Resource. The exploration target was estimated in order to provide the market with an assessment of the potential scale of the FMNE deposit using the exploration results from FMNE to 6 February 2014. Refer to the Review of Operations for details of the Exploration Target and competent person's consent.

On 31 January 2014 Alliance announced that Quasar Resources Pty Ltd (Quasar), with ACE dissenting, had approved the Four Mile (ML6402) Revised Start-Up Plan and Program and Budget (SUPB) on 29 January 2014[1]. The SUPB included production guidance relating to 2014 based on a series of assumptions more fully set out in those documents. ACE elected to vote against the SUPB because it considers the parties should construct an appropriately sized stand-alone plant at Four Mile in order to reduce operating costs. It also considers some of the costs included in the SUPB to be exploration, rather than mining, costs for which Quasar should be solely responsible.

On 14 April 2014, final commissioning and start-up of in situ recovery (ISR) mining operations at Four Mile East wellfields FME001 and FME002 commenced with uranium capture at Heathgate Resources Pty Ltd's (Heathgate's) Pannikan satellite plant and precipitation, drying and packing at Heathgate's Beverley processing plant[2].

On 17 June 2014, Alliance announced that it had appointed Deloitte Corporate Finance to lead a global marketing process for the sale of its 25% interest in the Four Mile Uranium Project. This transaction will, if completed, free up funds to enable Alliance to further explore and expand its exploration portfolio, including but not limited to, in Australia and Chile. Any sale will be subject to shareholder approval, consent from Itochu Corporation and Quasar not exercising its pre-emptive right. Details of the prospective purchaser and the sale consideration will be disclosed and an independent valuation will be available at the time that the notice of meeting is sent to assist shareholders to evaluate the fairness of the sale price and terms.

Legal Proceedings

The litigation between ACE and Quasar and Heathgate in the matter of misleading and deceptive conduct, was finally settled, on confidential terms, on 30 June 2014. This resolved all outstanding litigation between Quasar, Heathgate and ACE.

1 The additional time required to obtain regulatory approval for the monitoring plan at the First Stage Mining Area of Four Mile East meant that commencement of mining operations was delayed until mid-April and, accordingly, production and cost numbers from the SUPB are subject to revision..

2 Pursuant to the Four Mile (ML6402) Revised Start-Up Plan and Program and Budget that Quasar, with ACE dissenting, approved on 29 January 2014.

Tenements

East Frome, NSW - Exploration Licences 6836 and 7128 expired on 17 July 2013 and 21 April 2014, respectively.

Warrina, SA - Exploration Licences 4997 and 4802 expired on 7 August 2013 and 14 November 2013, respectively.

Alliance (Chile) Pty Ltd acquired, or made applications, for the following:

- Option to purchase the Remolinos Proyecto 6 exploitation concession, approximately 40 km southeast of Copiapo in Atamaca Region III of Chile, for the sum of US$250,000 with payments for Year 0 US$25,000; Year 1 US$50,000; Year 2 US$75,000; Year 3 US$100,000.
- Option to purchase the Monardes exploration concessions, approximately 95 km east of Copiapo in Atamaca Region III of Chile, for the sum of US$2.5M with payments for Year 0 US$50,000; Year 1 US$75,000; Year 2 US $100,000 and a Year 3 exercise payment of US$2.25M.
- Applications for exploration concessions (Vega 1 and 2) within the Monardes Basin, approximately 95 km east of Copiapo in Atamaca Region III of Chile.
- Applications for exploration concessions over two areas approximately 25 km east of Copiapo in Atamaca Region III of Chile. There are 27 applications: 10 in Sierra Cinchado area and 17 in Sierra del Potrillos area.

Contributions to Development

Alliance paid $4,252,738 towards the cost of development of the Four Mile Uranium Project during the year ($20,543,830 project-to-date)[3].

Chilean Projects

Cabeza de Vaca Copper-Gold Project
(Alliance (Chile) Pty Ltd right to acquire 90%)

No fieldwork was conducted during the year other than general ground reconnaissance.

Sierra Cinchado/Sierra del Potrillos
(Alliance (Chile) Pty Ltd 100%)

A regional stream sediment sampling program was conducted to the west of the northeast–trending Cinchado Fault Zone in the western part of the Sierra Cinchado concession, with no significant anomalies to report.

Monardes Basin
(Alliance (Chile) Pty Ltd 100% or right to earn 100%)

No fieldwork was conducted during the year other than general ground reconnaissance.

East Frome Copper-Base Metals Project
(Alliance (NSW) Pty Ltd 100%)

No fieldwork was conducted during the year.

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

On 18 July 2014, Alliance announced that, as part of the terms of the settlement, Alliance Craton Explorer Pty Ltd agreed to contribute a one off amount of $1,610,990.75 towards costs incurred in the misleading and deceptive conduct proceeding by Quasar and a one-off amount of $2,946,000 towards costs incurred by Heathgate. The subsequent announcement of the settlement financial terms was considered to be required under the ASX listing rules.

On 18 August 2014, Alliance reported total production of 408,156 pounds of uranium oxide concentrate from the Four Mile Uranium Mine for April to June 2014 at an average cash operating cost of $26.67 per pound produced (excluding shipping, marketing and royalties as no sales have occurred). Total costs for the same period are estimated by Alliance to average $38.33 per pound produced, including mining and processing, short-term[4] capital costs (FME drilling and wellfield construction, program management and regulatory costs), long-term[5] capital costs (trunkline, overhead powerline, engineering & construction management and asset (equipment) sales) but excludes shipping, marketing and royalties (as no sales have occurred) and regional delineation drilling[6].

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

3 Alliance disputes the validity of the cash calls made by Quasar and, in making these payments, has reserved all of its rights. The payments are made to preserve Alliance's participatory rights in the Four Mile project.

4 Short-term capital costs proportioned as mine production to date divided by FME mineral resource of 29Mlb multiplied by 70% ISR extraction, with the exception of FME drilling and wellfield construction costs from Oct 2008 to Nov 2012, which were proportioned as wellfield production to date divided by First Stage Mining Area potentially leachable resource of 2.8Mlb (sources: Quasar's Manager's monthly report for Nov 2012 and Quasar's Revised Start-Up Plan dated 20 Dec 2013).

5 Long-term capital costs proportioned as life-of-mine production to date divided by total mineral resource of 71Mlb (Four Mile East 29Mlb, Four Mile West 42Mlb) multiplied by 70% ISR extraction.

6 ACE and Quasar disagree about the nature of the regional delineation drilling. Quasar asserts it is a mining development cost for which ACE must pay its share. ACE asserts it is an exploration cost for which Quasar must pay in full.

Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulation

The environment protection matters pursuant to the proposed mining activities at the Four Mile Uranium Project are addressed in the Program for Environment Protection and Rehabilitation (PEPR) for ML6402, approved as PEPR No. PEPR2013/014 in accordance with Section 70B(5) of the Mining Act 1971 (SA) on 16 August 2013. The PEPR incorporates the requirements of both a PEPR under the Mining Act, including Radiation Management and Radioactive Waste Management Plans (RWMP) under the Radiation Protection and Control Act (RPC Act). The PEPR document also satisfies the relevant requirements currently established under the Commonwealth Environment Protection and Biodiversity Conservation Act (EPBC Act) for operational management plans.

The PEPR covers activities to be undertaken within the Four Mile Uranium Mine (Four Mile) Mining Lease (ML) 6402 in northern South Australia pursuant to a start-up plan approved by the Management Committee of the Four Mile Project. This PEPR has been prepared by Heathgate Resources Pty Ltd in accordance with relevant guidelines issued by DMITRE and the EPA.

The Four Mile Uranium Mine Monitoring, Mine Closure and Community Engagement Plans as required under the Commonwealth Environment Protection and Biodiversity Conservation Act (EPBC Act) conditions were approved.

Exploration activities at the Company's other projects in South Australia, New South Wales and Chile 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.

Information on directors

Name:	**John Stuart Ferguson Dunlop** (Appointed a Director on 30 November 1994 and Chairman on 9 September 1998)
Title:	Independent Non-Executive Chairman
Qualifications:	BE(Min), MEng Sc(Min), P Cert Arb., FAusIMM(CP), FIMMM, MAIME, MCIMM
Experience and expertise:	John Dunlop is a consultant mining engineer with almost 50 years surface and underground mining experience both in Australia and overseas spanning more than 25 countries. John is also a former director of the Australasian Institute of Mining & Metallurgy (AusIMM) (2001-2006) but continues as Chairman of its affiliate, the Mineral Industry Consultants Society (MICA).
Other current directorships:	John is also chairman of Alkane Resources Ltd (appointed 4 July 2006) and Tully Sugar Limited (appointed March 2013).
Former directorships (last 3 years):	Gippsland Ltd (appointed 1 July 2005 as non-executive, but took on executive responsibilities on a temporary basis until resignation on 12 July 2012) and Copper Strike Limited (non-executive Director from 9 November 2009 to 28 May 2014).
Special responsibilities:	John is a member of the Nominations, Remuneration and Audit & Risk Committees (appointed 5 August 2010).
Interests in shares:	6,715,938 (2013: 6,715,938)
Interests in options:	Nil (2013: Nil)

Name:	**Ian Jeffrey Gandel** (appointed on 15 October 2003)
Title:	Independent Non-Executive Director
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, New South Wales and Western Australia.
Other current directorships:	Ian is also a non-executive director of Alkane Resources Ltd (appointed on 24 July 2006) and the non-executive Chairman of Gippsland Ltd (appointed on 24 June 2009) and Octagonal Resources Ltd (appointed on 10 November 2010).
Former directorships (last 3 years):	N/A
Special responsibilities:	Ian is a member of the Nominations, Remuneration and Audit & Risk Committees (appointed 5 August 2010).
Interests in shares:	87,875,150 (2013: 87,875,150)
Interests in options:	Nil (2013: Nil)

Directors' Report

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 (Plutonic, now Barrick Gold Corporation). For over 15 years he has been in banking and stock broking, including the global mining group at CIBC World Markets. Tony is currently a Director, Corporate Finance with financial services group and stockbroking firm BBY Ltd.
Other current directorships:	Tony is also a non-executive director of Alkane Resources Ltd (appointed 30 May 2002) and unlisted TIN International Ltd (appointed 12 September 2011).
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:	1,650,000 (2013 1,650,000)
Interests in options:	Nil (2013: Nil)

Name:	**Stephen (Steve) Fredrick Johnston** (Appointed 19 October 2011)
Title:	Managing Director
Qualifications:	BAppSc(App. Geol.), MAusIMM, SEG
Experience and expertise:	Steve Johnston is a geologist with more than 30 years experience within the Australian mineral industry 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. Prior to joining Alliance, Steve was Managing Director of Exco Resources NL from 1998 to 2001 and General Manager and Managing Director of Croesus Mining NL from 1993 to 1998. 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:	5,516,823 (2013 5,516,823)
Interests in options:	1,000,000 (2013: 2,000,000)

'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 Tolliday is a Chartered Accountant with over 26 year's of experience in business including accounting, audit, corporate finance, corporate recovery, treasury, HR, office management and company secretarial. Robert has worked for Gandel Metals Pty Ltd for the past 2 years providing CFO & Company Secretarial Services to a number of listed Mining entities under a management services agreement. Prior to this Robert worked for 10.5 years as the Company Secretary and General Manager Finance & Admin for the Professional Golfers Association of Australia Ltd (PGA), a public company limited by guarantee, and before that Robert was a Senior Manager and spent over 13 years working for Chartered Accounting practices KPMG and Pitcher Partners in both Australia and the UK, participating in the corporate recovery and reconstruction, plus audit and accounting divisions, during which time Robert gained extensive experience in a wide and varied cross section of industry sectors and companies. Robert is also a director and the Company Secretary of Octagonal Resources Ltd (appointed on 17 January 2013 and 22 November 2012 respectively).

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 2014, 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 J Dunlop	5	6	1	1	3	3
Mr I Gandel	5	6	1	1	3	3
Mr T Lethlean	6	6	1	1	3	3
Mr S Johnston	6	6	-	-	-	-

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

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 2014, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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.

In consultation with external remuneration consultants, 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.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses 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
- attracts and retains high calibre executives

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides 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 product 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. The Remuneration Committee intends to revisit the long-term equity-linked performance incentives specifically for executives during the year ending 30 June 2015.

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 and comments made at the company's 2013 Annual General Meeting ('AGM')

The company received 74.46% of 'for' votes in relation to its remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the 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)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees $	Consulting Fees $	Non-monetary $	Super-annuation $	Long service leave $	Equity settled $	Total $
30 June 2014							
Non-Executive Directors:							
Mr J Dunlop	118,993	-	-	11,007	-	-	130,000
Mr I Gandel	84,483	-	-	-	-	-	84,483
Mr T Lethlean	89,000	-	-	-	-	-	89,000
Executive Directors:							
Mr S Johnston	328,000	-	-	30,340	-	-	358,340
Other Key Management Personnel:							
Mr R Tolliday*	-	-	-	-	-	-	-
Mr A Bowden	240,930	-	-	18,817	-	-	259,747
	861,406	-	-	60,164	-	-	921,570

* 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 for accounting and company secretarial services provided by Mr Tolliday. All charges were on commercial terms. Refer note 33 - Related Party Information in the Financial Report.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees $	Consulting Fees $	Non-monetary $	Super-annuation $	Long service leave $	Equity settled $	Total $
30 June 2013							
Non-Executive Directors:							
Mr J Dunlop	112,600	-	-	10,139	-	-	122,739
Mr I Gandel	56,592	-	-	-	-	-	56,592
Mr T Lethlean	83,200	-	-	-	-	-	83,200
Executive Directors:							
Mr S Johnston	328,000	-	-	29,520	-	-	357,520
Other Key Management Personnel:							
Mr R Tolliday*	-	-	-	-	-	-	-
Mr I Pamensky*	-	-	-	-	-	-	-
Mr A Bowden	226,980	-	-	20,428	-	-	247,408
	807,372	-	-	60,087	-	-	867,459

* The Gandel Metals Trust employed Mr Pamensky until 30 November 2012 and employed Mr Tolliday from 25 October 2012. 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 paid of $145,305 for accounting and company secretarial services provided by Mr Pamensky and Mr Tolliday. All charges were on commercial terms. Refer note 33 – Related Party Information in the Financial Report.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Executive Directors:						
Mr S Johnston	100%	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: 19 October 2011

Term of agreement: 2 Years

Details:

- Remuneration - $328,000 (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 3 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 based on base salary.
- Mr Johnston's employment agreement is in the process of being renegotiated and in the meantime continues on the existing terms and conditions.

Name: **Mr A Bowden**

Title: Exploration Manager

Agreement commenced: 1 June 2011

Details:

- Remuneration - Employment Cost is $187,200 gross per annum (excluding superannuation), based on a 24 hour week. Any additional work completed will be charged at $1,565.14 per day. The maximum annual salary is $300,000 per annum (excluding superannuation). This excludes options granted and reimbursements for various expenses including parking, subscriptions and mobile phone costs.
- Termination - The contract is capable of termination on standard employment terms, which include 3 months' notice if terminated by the Company (without cause) or by Mr Bowden. The Board retains the discretion to make a payment in lieu of notice based on base salary.

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 2014.

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
30/11/11*	31/05/12	30/04/14	$0.30	$0.273
30/11/11*	31/05/12	30/04/15	$0.50	$0.266

* 2,000,000 Unlisted Options were offered to Mr Johnston on 19 October 2011. The issue was approved at the Company's AGM on 10 November 2011 and granted on 30 November 2011. The terms of these Options are as follows:

- 1,000,000 options with a $0.30 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) which expired on 30 April 2014 and were not exercised; and
- 1,000,000 options with a $0.50 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2015.

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 2014 there were 1,000,000 (2013: 2,000,000) unlisted options issued over ordinary shares of Alliance Resources Limited granted to the Managing Director and nil (2013: nil) unlisted options granted to Executives, Staff and contractors.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2014.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2010 $	2011 $	2012 $	2013 $	2014 $
Sales revenue / Interest	2,037,807	1,954,560	1,655,460	1,193,352	807,407
EBITDA	(4,950,419)	(8,724,356)	(3,807,628)	(7,288,361)	(16,978,190)
EBIT	(4,842,790)	(8,644,090)	(3,807,928)	(7,276,233)	(16,971,430)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

Share price at financial year end (cents per share)	28.50	19.00	20.00	10.00	16.00
Basic earnings per share (cents per share)	(0.19)	(1.66)	(1.12)	(2.14)	(4.98)

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 J Dunlop	6,715,938	-	-	-	6,715,938
Mr I Gandel	87,875,150	-	-	-	87,875,150
Mr T Lethlean	1,650,000	-	-	-	1,650,000
Mr S Johnston	5,516,823	-	-	-	5,516,823
	101,757,911	-	-	-	101,757,911

* Mr A Bowden and Mr R Tolliday, Executives, currently hold no shares or options in the Company.

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	Excercised	Expired/ forfeited/other	Balance at the end of the year
Options over ordinary shares					
Mr S Johnston	2,000,000	-	-	(1,000,000)	1,000,000
	2,000,000	-	-	(1,000,000)	1,000,000

Transactions with key management personnel and their related parties

The following transactions occurred with key management personnel and their related parties:

	Consolidated 2014 $	Consolidated 2013 $
Payment for goods and services:		
Director Fees - I Gandel	84,483	176,592
Financial & Company Secretarial support services*	300,000	204,055
Office & Administration costs	77,042	113,696

* Other related party - The Gandel Metals Trust

Payment relates to amounts charged as per management service agreement including financial, company secretary, admin support and geological.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current payables:		
Accrual for fees to other related party - The Gandel Metals Trust	-	31,579

Loans to/from key management personnel and their related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

Mr I J Gandel is a director and shareholder of Abbotsleigh Proprietary Limited. Alliance Resources Limited entered into a management service agreement with The Gandel Metals Trust. Abbotsleigh Proprietary Limited is the ultimate parent entity of The Gandel Metals Trust. The contract is based on commercial terms and conditions. The Gandel Metals Trust provides access for up to 5 staff on an ongoing basis to provide accounting, company secretarial and administration support for a set fee of $25,000 per month.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Alliance Resources Limited under option at the date of this report are as follows:

Grant date	Expired date	Exercise price	Number under option
30/11/11	30/04/15	$0.50	1,000,000

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 2014 and up to the date of this report.

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 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. The company's corporate governance statement is on page 30 to page 42.

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 30 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 30 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 audit partners of BDO East Coast Partnership

There are no officers of the company who are former audit 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 on the following page.

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

John Dunlop

John Dunlop
Chairman

30 September 2014
Melbourne

Auditors' Independence Declaration

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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 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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, 30 September 2014

Corporate Governance Statement

The directors of Alliance Resources Limited (**Alliance** or **Company**) believe firmly that benefits will flow from the maintenance of the highest possible standards of corporate governance. A description of the Company's main corporate governance practices is set out below.
The Company has elected to adopt the "Corporate Governance Principles and Recommendations" (2nd Edition, 2010) issued by the ASX Corporate Governance Council (**ASX Principles and Recommendations**). Where the Company believes a particular corporate governance practice Recommendation is not suitable or relevant for adoption by the Company, an explanation is provided.

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 1: Lay solid foundation for management and oversight			
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	There is clear segregation of duties between the Board and management. **Board of Directors** The role of the Board of Directors is set out in its Board Charter (which is published on the Company's website at: www.allianceresources.com.au) and includes the setting of goals, strategies and policies for the operation of the Company, to oversee the Company's management, to regularly review performance and to generally monitor the Company's affairs in the best interests of shareholders. The key responsibilities of the Board include: ■ appoint and, where necessary, remove the Managing Director/Chief Executive Officer (CEO) and determine that person's remuneration (including termination benefits); ■ providing input into, and adopting the strategic plan and budget of the Company, as prepared by management; ■ oversight of financial and operational performance against the strategic plan and budget; ■ approving and monitoring the progress of all material acquisitions, divestments, contracts, operational programs and major capital expenditure; ■ approving capital raisings (debt or equity) by the Company; ■ oversight of the audit, compliance, internal control and financial and operational risk management functions of the Company to ensure that they operate effectively; ■ oversight of financial reporting and communication to the Company's shareholders and the investment community and shareholder relations generally; ■ oversight of the Company's employee-relations and ethical, social and environmental behaviour; ■ reviewing the performance of the Board as a whole, Board Committees and individual directors. The Board has delegated to the Managing Director and his senior executive team authority over the day to day management of the Company and its operations. This delegation of authority includes responsibility to undertake the actions set out in the Board Charter, with the primary objective of maximising sustainable shareholder wealth, having regard to the Company's values and impacts for employees, communities and other stakeholders. Specific responsibilities of the Managing Director include: ■ day to day running of the business; ■ tenement management (existing tenements); ■ appropriate and cost effective exploration and development of all Alliance projects; ■ identification of business development opportunities;	Not applicable

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance

- managing the operating and financial performance of the Company;
- implementation of effective occupational health and safety policies;
- recruitment of replacement personnel, and
- stakeholder communications program (including continuous disclosure of material developments through preparation of ASX announcements, quarterly reports, annual reports and Company presentations, broker/institutional tours, attendance at trade shows, and advertising);
- manage internal communication with the Board of Directors, staff, consultants and contractors, and provide leadership and inspiration at all times.

Director Induction and Education

All new Directors participate in a director induction program that includes one-on-one discussions with key executives, provision to directors of important company documents and visits to operation sites. Continuing education requirements for directors are assessed on an as needs basis generally in conjunction with the Board performance assessment process.

Company Secretary

All Directors have access to the Company Secretary. The Company Secretary is accountable, through the Chairman, for all governance matters.

Management

Mr. Stephen Johnston was appointed Managing Director on 19 October 2011. He has been employed by Alliance since 2003 in varying capacities including as General Manager and Chief Executive Officer. The Managing Director's specific responsibilities are described above.

The Exploration Manager is responsible and accountable to the Managing Director. Specific responsibilities of the role include:

- identification of exploration opportunities;
- tenement management (new projects);
- establishment of annual exploration budgets;
- effective exploration work programs;
- supervision of consultants and other personnel;
- reporting on activities by preparation if internal and external (statutory) reporting, and
- maintain effective working relationships with all stakeholders within the communities in which Alliance is working to achieve positive outcomes for Alliance and its stakeholders.

The other senior executive of the Company is the Chief Financial Officer (responsible and accountable to the Managing Director) and Company Secretary. His specific responsibilities include the following:

- maintaining financial control across the Alliance group;
- ensuring that the Board receives regular financial and other pertinent information and reports (notably on auditing, taxation and insurance);
- statutory financial statements;
- Compliance with the regulatory requirements set out in the Corporations Act and ASX Listing Rules; and
- Management of the Company's banking arrangements and funds on hand.

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
1.2	Disclose the process for evaluating the performance of senior executives.	The Board reviews the performance of executives. The senior executives' performance is assessed against short and long term criteria relating to the performance of the executive and the Company as a whole. Further information on performance assessment is contained in the Remuneration Report which forms part of the Directors' Report. A performance evaluation of senior executives has been completed during the reporting period.	Not applicable
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	The information has been disclosed above.	Not applicable
Principle 2: Structure the board to add value			
2.1	A majority of the Board should be independent directors.	The Board's size and composition is subject to limits imposed by the Company's constitution, which provides for a minimum of 3 directors and a maximum of 9. The Board currently comprises the Managing Director and 3 non-executive directors. Details of the current Directors of the Company, their skills, experience, qualifications and record of attendance at meetings are included on the website at www.allianceresources.com.au and in the 2014 Annual Report. **Director Independence** At the date of this Report the company has four Directors, three of whom are non-executive directors. The Company has adopted a Directors Independence Policy which is published on the Company's website at: www.allianceresources.com.au . In determining a Director's independence the following definition is applied "An independent director is independent of management and has no material business or other relationship with Alliance that could materially impede the objectivity of, or the exercise of independent judgment by, the Director or materially influence their ability to act in the best interests of the Company." In reaching their decision regarding individual director independence, the Board reserves the right to consider a Director to be independent even though they may not meet one or more of the specific thresholds or tests specified in the Policy, having regard to the underlying key definition of independence and the nature of the Director's circumstances. The Board has determined that two of the four Directors are independent non-executive directors applying the Company's Independence Policy. Issues considered in making this determination included: ■ Mr. Dunlop and Mr. Lethlean have acted as consultants to the Company in previous financial years. The value of the services provided, excluding formal and informal Board committees $0 (2013: $0) for Mr. Lethlean and $0 (2013: $0) for Mr. Dunlop, is not considered material enough to impact on their independence. ■ Mr Gandel was, and continues to be, a substantial shareholder in the Company and in accordance with the Company's Independence Policy is not considered to be an independent. The Board has indicated that it will consider the appointment of further directors from time to time, if an outstanding candidate is identified or if it is felt that additional expertise is required in specific areas as projects underway evolve.	Two of the four directors are deemed independent. The Company's size does not justify a large Board with a majority of independent directors.

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
		Independent professional advice Directors have the right, in connection with the discharge of their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld.	
2.2	The chair should be an independent director.	The Company has adopted this recommendation. The Board has determined that Mr Dunlop is an independent non-executive director notwithstanding that he has provided consulting services to the Company during previous financial periods. The Board does not consider the value of the services provided to the Company by Mr Dunlop to be material and does not believe they are likely to materially interfere with the independent exercise of his judgment. Mr Dunlop has been a director of the Company since it originally listed in 1994 and has an intimate knowledge of its affairs. He is an experienced company director and is committed to providing the time necessary to effectively discharge his role as chairperson, taking into account the time commitments associated with the provision of additional services and his other roles.	Not applicable
2.3	The roles of chair and Managing Director/Chief Executive Officer (or equivalent) should not be exercised by the same individual.	The Company's Chairperson, Mr Dunlop, and Managing Director, Mr Johnston, have separate roles. The chairperson is primarily responsible for: ▪ leadership of the Board; ▪ efficient organisation and conduct of the Board's function; ▪ ensuring that all relevant issues are on the agenda for directors' meetings; ▪ briefing of all directors on key issues; ▪ facilitating the effective contribution of all directors; ▪ guiding Board deliberations, free of undue bias; and ▪ promoting constructive and respectful relations between directors and between Board and management.	Not applicable

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
2.4	The board should establish a Nomination Committee.	Alliance has a Nominations Committee comprising 3 non-executive Directors the majority of whom are considered independent directors. Mr Lethlean is an independent Chairman. **Committee members** The members of the Nominations Committee as at the date of this Report are: Mr Tony Lethlean (Chairman) Mr John Dunlop Mr Ian Gandel **Committee Role & Responsibilities:** The role and responsibilities, structure and procedures of the Nominations Committee are set out in the Committee's Charter which has been published on the Company's website at: www.allianceresources.com.au. The process for nomination and appointment of Directors is set down in the Nominations Committee Charter and on the Company's website. In summary, the purpose of the Committee is to provide recommendations to and assist the Directors with respect to: ▪ identifying nominees for directorships and other key executive appointments having regard to any skill, experience, competency or diversity gaps that may be identified from time to time; ▪ the composition of the Board; ▪ ensuring that effective induction and education procedures exist for new Board appointees and key executives; and ▪ ensuring that appropriate procedures exist to assess and review the performance of the Chair, non-executive directors, senior management, Board committees and the Board as a whole.	Not applicable
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	**Evaluation** The performance evaluation of the Board, its Committees and Board members occurs by way of a structured review comprising the distribution of detailed questionnaires to directors which are completed with findings being summarised and discussed at a subsequent meeting. At that Board meeting Directors identify potential performance strengths and development opportunities and formulate an action plan to address areas for further development.	Not applicable
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	All information required to be provided has been disclosed above.	Not applicable

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 3: Promote ethical and responsible decision-making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	The Company, including its Directors and key executives, is committed to maintaining the highest standards of integrity and seeks to ensure that all its activities are undertaken with efficiency, honesty and fairness. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect the shareholders' interests. The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity and expects all directors, executives, contractors and employees to act in accordance with the law and with the highest standards of propriety and in accordance with the terms of the Company's Code of Ethics which can be accessed from the website at www.allianceresources.com.au.	Not applicable
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress of achieving them.	On 21 September 2011, the Company adopted a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving diversity (including gender diversity) in its personnel, senior executives and directors and for the Board to assess annually both the objectives and progress in achieving them. The Diversity Policy provides a framework for Alliance to achieve: ▪ a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals; ▪ a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff; ▪ improved employment and career development opportunities for women; ▪ a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and ▪ awareness in all staff of their rights and responsibilities with regards to fairness, equality and respect for all aspects of diversity. A copy of the Diversity Policy can be accessed from the Company's website at www.allianceresources.com.au.	Not applicable

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	The Board has not yet set measurable objectives for achieving gender diversity. The Directors are in the process of collecting information to enable them to set meaningful, measurable objectives which are appropriate to the size of the Company and the operational and labour market it faces. The Company has not had a requirement to employ any full time staff for the last 2.5 years but will abide by its Diversity Policy for future employment. The Company is also committed to ensuring that all employees have an equal opportunity to participate in professional development programs and to developing its human resources.	While Alliance has reported against other 2010 amendments to the ASX Principles and Recommendations in this Corporate Governance Statement, having regard to the recent adoption of the Diversity Policy and the lack of requirement to employ new staff in the intervening period, the Company is not in a position to report on measurable objectives or progress towards achieving them in this annual report.
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The proportion of women in the Alliance group of companies is set out in the following table: **Proportion of women** Whole organisation[1]: 3 out of 10 (30%) Board: Nil out of 4 (0%) Senior executive positions[2]: Nil out of 2 (0%)	Not applicable
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	All information required to be provided has been disclosed above.	Not applicable

1 The whole organisation includes employees who are employed by Gandel Metals but work within the Company. Gandel Metals is a Company associated with Director, Mr Ian Gandel. Gandel Metals provides Management Services to the Company.

2 Includes direct employees of the Company and the Company Secretary, Mr Robert Tolliday. Mr Tolliday is employed by Gandel Metals (see footnote 1 above).

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 4: Safeguard integrity in financial reporting			
4.1	The board should establish an Audit Committee.	The Company has an Audit & Risk Committee. **Committee members:** Members of the Committee at the date of this Report are: Mr Tony Lethlean (Chairman) Mr John Dunlop (appointed 5 August 2010) Mr Ian Gandel (appointed 5 August 2010) **Committee Role & Responsibilities:** The role and responsibilities, structure and procedures of the Audit & Risk Committee are set out in the Committee's Charter which has been published on the Company's website at: www.allianceresources.com.au. In summary the function of the Committee is to assist the Board in fulfilling its corporate governance responsibilities with regard to: ▪ business risk management; ▪ compliance with legal and regulatory obligations; ▪ the establishment and maintenance of the internal control framework; ▪ the reliability and integrity of financial information for inclusion in the Company's financial statements; ▪ safeguarding the independence of the external auditor; and ▪ audit, accounting and financial reporting obligations. The Audit & Risk Committee met three times during the reporting period, before signing off on the annual and half year financial statements. All members of the Audit & Risk Committee attended each meeting.	Not applicable
4.2	The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; • has at least three members.	The Audit & Risk Committee comprises three non-executive Director members, two of whom are independent directors. Mr. Tony Lethlean is the independent Chairman of the Committee. Standing invitations to attend Audit & Risk Committee meetings have been issued to the Chief Financial Officer & Company Secretary and the Company's External Auditors.	Not applicable
4.3	The audit committee should have a formal charter.	The formal charter of the Audit & Risk Committee was adopted on 29 November 2007. The Audit & Risk Committee charter can be accessed at www.allianceresources.com.au	Not applicable
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	The external auditor, BDO, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years. Information on the policy and procedures for the selection, appointment and independence of the external auditor, and for the rotation of external audit engagement partners can be accessed in the External Auditor Selection and Rotation Policy and can be accessed on the Company's website at www.allianceresources.com.au All information required to be provided has been disclosed above.	Not applicable

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company fully supports the continuous disclosure regime in Australia. In accordance with the continuous disclosure requirements of the ASX Listing Rules, the Company has policies and procedures in place to ensure that price sensitive information is identified, reviewed by management and a Disclosure Committee and disclosed to the ASX in a timely manner and that all information provided to the ASX is posted on the Company's website as soon as possible after its disclosure to the ASX. The Company Secretary manages the Company's compliance with its continuous disclosure obligations and is responsible for communications with the ASX. Presentations that are made to analysts or investors are posted on the Company's website. If the presentations contain information that has not previously been announced to the ASX, and that would or could have a material effect on the share price, the presentation is sent to the ASX prior to the presentation being made. All managers in the Company receive advice on continuous disclosure and are aware of and accountable for the Company's compliance with regard to continuous disclosure. The Company's Market Disclosure and Communication Policy is in line with current best practice standards, and can be accessed at www.allianceresources.com.au. The Board will evaluate this policy on an annual basis to determine whether it remains effective in ensuring accurate and timely disclosure in accordance with the Company's disclosure obligations.	Not applicable
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	All information required to be provided has been disclosed above.	Not applicable

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 6: Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	Our shareholders own the Company and the Board acknowledges its responsibility to act in their best interests with the objective of increasing the Company's value for all shareholders. The Board maintains active communication with shareholders as owners of the Company. Communication with shareholders is of critical importance to the Company. The Board of Directors aims to ensure that the shareholders on behalf of whom they act have access to all information necessary to assess the performance and prospects of the Company. Mechanisms used to communicate with shareholders include: ■ the Company's annual report which is distributed, or otherwise made available, to all shareholders; ■ the Company's quarterly production reports; ■ the Company's half-year financial report; ■ the Company's annual general meeting and other general meetings called to obtain shareholder approval for significant corporate actions, as appropriate; ■ Company announcements; and ■ the Company's website - www.allianceresources.com.au In addition the Company seeks to provide opportunities for shareholders to participate through electronic means. The website includes a feedback mechanism and an option for shareholders to register their e-mail address for direct e-mail updates of company matters. When brokers, analysts, the press or other parties are briefed on the Company's activities, the material used in the presentations is usually released to the ASX and/or posted on the Company's website. The Board has procedures in place to ensure that all price sensitive information is disclosed to the ASX on a timely basis, subject to the permitted exceptions to such disclosure set down in the ASX listing rules. The Company welcomes questions from shareholders at any time and these are answered promptly unless the information requested is market sensitive or confidential and not in the public domain. Also, all announcements made by the Company to the ASX (except disclosures of a routine compliance nature) are posted on the Company's website. The lead external auditor is required by law to attend or be represented at the annual general meeting to answer any questions with regard to, inter alia, the conduct of the audit and the preparation and content of the auditor's report. The lead external auditor did attend the 2013 annual general meeting. Shareholders have a choice with regards to the method in which they receive annual reports and notices of meetings, and may elect (by written notice to the Company) to receive such reports and/or notices of meeting by either post, or electronically. Shareholders who are unable to attend meetings of the Company are encouraged to participate in meetings by way of appointment of a proxy. Proxy forms may by lodged by shareholders by way of post, facsimile or transmission to the electronic address specified in the relevant notice of meeting.	Not applicable
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report.	Not applicable

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 7: Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Alliance has systems in place to enable the identification, assessment and management of its material business risks. Management is responsible for the design and implementation of risk management and internal control systems in relation to material business risks. Management ensure that procedures exist to monitor and review risks and, through observation and audit, gain assurance on at least an annual basis that effective controls are implemented and consistently being applied. The Board reviews the Company's risk profile and risk management and internal control policies and practices on a regular basis and receives reports from management on significant changes to the profile and the progress with risk mitigation at each of its Board meetings. The Audit & Risk Committee assists the Board in monitoring the Company's financial and operating risks. The company's Risk Oversight & Management Policy can be accessed at www.allianceresources.com.au	Not applicable
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Alliance has adopted systematic processes for the identification, analysis, evaluation, treatment, monitoring and review of the material business risks it faces which are outlined in the Company's Risk Management Policy, which is aligned to the Australian Standard for risk management. The Company is exposed to numerous risks across its business, most of which are common to the mining industry. Generally risk-specific systems are used, in keeping with best practices in the Mining and Resources sector. These approaches to risk management are generally embedded into strategic and operational management and business processes. The Board considers the material business risks the company faces and the means by which these are managed at each of its meetings. Financial and reporting risks are considered at first instance by the Audit & Risk Committee with findings then being reported to the Board. At each of the Board meetings, the Managing Director and Chief Financial Officer and Company Secretary are required to provide assurance to the Board as to the effectiveness of the systems in place for the management of the material risks. Periodically, the Board and senior managers undertake a strategic risk assessment workshop to reassess the Company's material risks and determine whether the current controls are adequate and effective. The Audit & Risk Committee reviews and assesses the adequacy of the Company's internal control and financial management systems and accounting and business policies. The Audit & Risk Committee is given further assurance on the Company's financial management systems through the internal control reviews conducted by External Auditor BDO. Reviews of internal control are conducted in accordance with an audit plan approved by the Audit & Risk Committee. The audit plan is formulated following identification of key risks in the areas of financial and information technology controls, compliance with statutory regulations and policy, fraud prevention and detection plus specific services as directed by the Company to ensure an effective control environment. Management is responsible for implementing corrective actions recommended as a result of the audit reviews. Key findings from audit reviews are reported to the Audit & Risk Committee. The External Auditors and the Audit & Risk Committee have direct access to each other and have the necessary access to management and the right to seek information and explanations.	Not applicable

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
7.3	The board should disclose whether it has received assurance from the Managing Director/Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board received an assurance from the Managing Director and Chief Financial Officer that the section 295A declaration signed prior to approving financial statements was founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The Board has indicated that it is satisfied that management has developed and implemented a sound system of risk management and internal control.	Not applicable
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	All information required to be provided has been disclosed above.	Not applicable
Principle 8: Remunerate fairly and responsibly			
8.1	The board should establish a Remuneration Committee.	The Company has a Remuneration Committee and its charter sets out the role, responsibilities, structure and procedure of this committee. Details of the Remuneration Committee and its charter are published on the Company's website at www.allianceresources.com.au. **Committee Role & Responsibilities:** The role and responsibilities, structure and procedures of the Remuneration Committee are set out in the Committee's charter. In summary the purpose of the Committee is to provide the board of directors with advice and recommendations which enable the Board to: ▪ set in place remuneration policies which are designed to attract and retain senior managers and directors with the expertise to enhance the performance and growth of the Company; and ▪ ensure that the level and composition of remuneration packages are fair, reasonable and adequate and, in the case of executive directors and senior managers, display a clear relationship between the performance of the individual and the performance of the Company.	Not Applicable

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
8.2	The Remuneration Committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent director; and • has at least three members.	Alliance has complied with this Recommendation and has a Remuneration Committee comprising 3 non-executive Directors the majority of whom are considered independent directors. Mr Lethlean is an independent Chairman. **Committee members** Members of the Committee as at the date of this Report are: Mr Tony Lethlean (Chairman) Mr John Dunlop Mr Ian Gandel	Not applicable
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives. The Company's remuneration policy and structure is described in detail in the Remuneration Report which forms part of the Directors' Report in this Annual Report. The directors of the Company are remunerated by way of fixed annual fees (within the aggregate fee limit approved by shareholders) but also receive fees for additional services provided to the Company and have, with the prior approval of the shareholders, received options to subscribe for unissued shares of the Company. The directors are not provided with retirement benefits. The senior executives of the Company are remunerated by way of a total salary package (inclusive of statutory superannuation) and also receive equity-based remuneration in the form of options to subscribe for unissued shares. The Board has taken advice from independent remuneration consultants in setting its remuneration policy and structure and considers the nature and quantum of the remuneration of its directors and executives to be appropriate and reasonable given the circumstances of the Company and individuals concerned (including the responsibilities involved in their respective offices or employment). As part of their remuneration packages, non-executive directors of the Company have in the past, been granted options to acquire shares in the Company. For a company of the size and limited cash resources of Alliance this is a useful tool for attracting and retaining quality directors without diminishing the company's cash resources. The Board is aware that the ASXCGC guidelines do not support the issue of options to non-executive directors as part of their remuneration and the merits of issuing options are reviewed on an annual basis. Equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. The Company ensures that the payment of equity-based executive remuneration is made in accordance with statutory requirements and thresholds set out in plans approved by shareholders.	Not applicable
8.4	Companies should provide the information indicated in the guide to reporting on Principle 8.	All information required to be provided has been disclosed above.	Not applicable

Financial Report

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
Revenue	4	807,407	1,193,352
Expenses			
Depreciation and amortisation expense	5	(6,760)	(12,128)
Impairment of investment in associate		-	(529,010)
Impairment in value of available for sale investments		(847,561)	(954)
Share of net loss of associate and joint venture accounted for using the equity method		(4,144,428)	(890,244)
Other expenses		(805,240)	(2,280,658)
Occupancy expenses		(68,726)	(67,239)
Administration expenses		(2,276,520)	(2,034,204)
Legal expenses		(7,731,581)	(2,219,207)
Director fees'		(303,482)	(252,452)
Company secretarial		(102,785)	(137,456)
Marketing expenses		(25,331)	(58,161)
Deferred share rights and option	41	(1,473,183)	-
Loss before income tax expense		(16,978,190)	(7,288,361)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Alliance Resources Limited	25	(16,978,190)	(7,288,361)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale financial assets, net of tax		309,909	-
Other comprehensive income for the year, net of tax		309,909	-
Total comprehensive income for the year attributable to the owners of Alliance Resources Limited		(16,668,281)	(7,288,361)
		Cents	**Cents**
Basic earnings per share	39	(4.98)	(2.14)
Diluted earnings per share	39	(4.98)	(2.14)

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 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
Assets			
Current assets			
Cash and cash equivalents	8	16,672,697	25,358,979
Trade and other receivables	9	68,516	159,755
Other assets	10	124,096	47,924
		16,865,309	25,566,658
Non-current assets classified as held for sale	11	12,822,778	-
Total current assets		29,688,087	25,566,658
Non-current assets			
Other receivables	12	865,750	50,000
Investments accounted for using the equity method	13	-	14,899,123
Available-for-sale financial assets	14	1,415,634	5,726
Property, plant and equipment	15	7,633	14,393
Exploration and evaluation	16	2,030,733	2,136,579
Total non-current assets		4,319,750	17,105,821
Total assets		34,007,837	42,672,479
Liabilities			
Current liabilities			
Trade and other payables	17	7,328,435	806,464
Employee benefits	18	70,482	73,864
Provisions	19	50,000	865,750
Other financial liabilities	20	1,473,183	-
		8,922,100	1,746,078
Liabilities directly associated with assets classified as held for sale	21	815,750	-
Total current liabilities		9,737,850	1,746,078
Non-current liabilities			
Employee benefits	22	85,450	73,583
Total non-current liabilities		85,450	73,583
Total liabilities		9,823,300	1,819,661
Net assets		24,184,537	40,852,818
Equity			
Contributed equity	23	98,918,022	98,918,022
Reserves	24	363,809	53,900
Accumulated losses	25	(75,097,294)	(58,119,104)
Total equity		24,184,537	40,852,818

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 2014

	Contributed Equity $	Accumulated Losses $	Reserves $	Total Equity $
Consolidated				
Balance at 1 July 2012	98,918,022	(50,830,743)	53,900	48,141,179
Loss after income tax expense for the year	-	(7,288,361)	-	(7,288,361)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(7,288,361)	-	(7,288,361)
Balance at 30 June 2013	98,918,022	(58,119,104)	53,900	40,852,818
Consolidated				
Balance at 1 July 2013	98,918,022	(58,119,104)	53,900	40,852,818
Loss after income tax expense for the year	-	(16,978,190)	-	(16,978,190)
Other comprehensive income for the year, net of tax	-	-	309,909	309,909
Total comprehensive income for the year	-	(16,978,190)	309,909	(16,668,281)
Balance at 30 June 2014	98,918,022	(75,097,294)	363,809	24,184,537

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 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(3,725,811)	(4,517,323)
Interest received		807,407	1,193,352
Net cash used in operating activities	38	(2,918,404)	(3,323,971)
Cash flows from investing activities			
Payments for exploration and evaluation	16	(699,390)	(1,343,355)
Contributions to Joint Venture Development		(4,252,738)	(1,065,089)
Payment for Performance Bond		(815,750)	-
Net cash used in investing activities		(5,767,878)	(2,408,444)
Cash flows from financing activities			
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(8,686,282)	(5,732,415)
Cash and cash equivalents at the beginning of the financial year		25,358,979	31,091,394
Cash and cash equivalents at the end of the financial year	8	16,672,697	25,358,979

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

Notes to the financial statements
30 June 2014

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in

AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Accounting for the Four Mile Joint Venture

The company's interest in the Four Mile Joint Venture had been equity accounted in accordance with Accounting Standard AASB 128 Investments in Associates to 30 June 2014 as disclosed in notes 13 and 37 to the financial statements. Due to the commencement of the sale, the company's interest has been reclassified as a Non-current Asset Held for Sale as per Accounting Standard AASB 5 as disclosed in note 11 to the financial statements.

In preparing the equity accounting entries for the Four Mile Joint Venture in the consolidated financial statements of Alliance Resources Limited, the company has relied upon financial statements prepared by the manager of the Joint Venture, Quasar Resources Pty Ltd. The financial statements have been audited by PricewaterhouseCoopers who issued an unqualified audit opinion. In addition to the legal matters actioned by a subsidiary of Alliance Resources Limited, Alliance Craton Explorer Pty Ltd against Quasar Resources Pty Ltd and its related entity Heathgate Resources Pty Ltd, now settled, the details of which are disclosed in the directors' report, there are also matters that are in dispute between the Joint Venture parties regarding the Joint Venture including management fees that have been charged to the Joint Venture by Heathgate Resources Pty Ltd and cash calls advanced by Alliance Craton Explorer Pty Ltd which Alliance Craton Explorer Pty Ltd believes may have been used for non-Joint Venture expenses.

In preparing the consolidated financial statements of Alliance Resources Limited these matters have not been adjusted for in the financial statements.

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 34.

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 2014 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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

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.

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).

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

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.

Income tax

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 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 apply 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 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.

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 current when: it is expected to be realised or intended to be sold or consumed in 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 current when: it is expected to be settled in 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.

Deferred tax assets and liabilities are always classified as non-current.

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.

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.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost 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. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

Property, plant and equipment

All classes of property, plant and equipment are stated at cost less accumulated depreciation and any impairment write-downs. Depreciation is calculated on a reducing balance basis to write off the net cost of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets.

Major depreciation rates are:

Plant and equipment	**13% - 40%**

Where items of plant and equipment have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

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.

Development expenditure

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the mine.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

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.

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 recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is 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 government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

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.

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 interest. For non-financial assets, the fair value measurement is based on its highest and best use. 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 each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Contributed equity

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.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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.

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.

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 2014. 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 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

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.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

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.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

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.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Environmental provision

A provision has been made for the present value of anticipated costs of the remediation work that will be required to comply with environmental and legal obligations. The provision is estimated based on currently available facts, technology expected to be available at the time of the clean up, laws and regulations presently or virtually certain to be enacted and prior experience in remediation of contaminated sites.

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

Alliance Resources operates in the mineral exploration and mining industry in Australia and Chile. The group has adopted AASB 8 Operating Segments whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the board of directors. At regular intervals the board is provided with management information at a group level for the group's cash position, the carrying values of exploration permits and a group cash forecast for the next twelve months of operation. On this basis, no segment information is included in these financial statements.

	Consolidated 2014 $	Consolidated 2013 $
NOTE 4. REVENUE		
Interest	807,407	1,193,352
NOTE 5. EXPENSES		
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	6,760	12,128
Superannuation expense		
Defined contribution superannuation expense	49,157	49,948
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	598,536	554,980
NOTE 6. SHARE OF LOSS OF ASSOCIATE AND JOINT VENTURE ACCOUNTED FOR USING THE EQUITY METHOD		
Share of loss - associate	(10,906)	(216,044)
Share of loss - joint venture	(4,144,428)	(674,200)
Share of Loss of associate and joint venture using the equity method	(4,155,334)	(890,244)

NOTE 7. INCOME TAX EXPENSE

	Consolidated 2014 $	Consolidated 2013 $
The components of income tax expense / (benefit) comprise:		
Current income tax		
Current income tax charge / (benefit)	(3,589,279)	(1,427,296)
Adjustments in respect of previous years	(1,284,420)	
Deferred tax		
Relating to origination and reversal of temporary differences	(1,058,952)	(492,139)
Deferred tax assets not brought to account	5,932,651	1,919,435
Income tax expense / (benefit)	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(16,978,190)	(7,288,361)
Tax at the statutory tax rate of 30%	(5,093,457)	(2,186,508)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	-	-
Share of net loss of Joint Venture and Associate accounted for using the equity method	3,272	267,073
Deferred share rights and option	441,954	
	(4,648,231)	(1,919,435)
Adjustments in respect of prior years	(1,284,420)	
Deferred tax assets not brought to account	5,932,651	1,919,435
Income tax expense	-	-
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	72,371,429	54,859,631
Potential tax benefit @ 30%	21,711,429	16,457,889

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.

	Consolidated 2014 $	Consolidated 2013 $
Deferred tax assets and liabilities not recognised		
Deferred tax liabilities comprises:		
Prepayments	(3,146)	(3,441)
Exploration and evaluation	(254,066)	(640,974)
Accrued income		
Total deferred tax liabilities	(257,211)	(644,415)
Deferred tax assets comprises:		
Investments	1,066,931	2,447,132
Provisions and accruals	647,018	402,205
Equity raising costs	17,966	17,966
Tax losses	21,711,429	16,457,889
Total deferred tax assets	23,443,344	19,325,193

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

	Consolidated 2014 $	Consolidated 2013 $

NOTE 8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	Consolidated 2014 $	Consolidated 2013 $
Cash on hand	4	4
Cash at bank	16,587,693	25,273,975
Cash on deposit	85,000	85,000
	16,672,697	25,358,979

NOTE 9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	Consolidated 2014 $	Consolidated 2013 $
GST receivable	68,516	159,755

NOTE 10. CURRENT ASSETS - OTHER ASSETS

	Consolidated 2014 $	Consolidated 2013 $
Prepayments	124,096	47,924

NOTE 11. CURRENT ASSETS - NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated 2014 $	Consolidated 2013 $
Asset held for sale - Four Mile Project	12,822,778	-

NOTE 12. NON-CURRENT ASSETS - OTHER RECEIVABLES

	Consolidated 2014 $	Consolidated 2013 $
Term Deposits*	865,750	50,000

* Held as performance bonds

NOTE 13. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2014 $	Consolidated 2013 $
Investment in associate – Octagonal Resources Limited		
Investment in Octagonal Resources Limited - at cost*	5,500,000	5,500,000
Share of net loss in investment in associate accounted for using the equity method	(824,750)	(813,858)
	4,675,250	4,686,142
Impairment of investment in associate	(3,575,250)	(2,738,581)
	1,100,000	1,947,561
Less: Reclassification to Available-for-sale financial assets	(1,100,000)	-
Net carrying value**	-	1,947,561
Interest in joint venture – Four Mile Joint venture*		
Four Mile Joint Venture cash calls made	20,543,830	16,528,186
Share of net loss of joint venture accounted for using the equity method	(8,536,800)	(4,392,374)
Four Mile Project – Rehabilitation Bond	815,750	815,750
	12,822,780	12,951,562
Less: Reclassification to Non-current assets classified as held for sale	(12,822,780)	-
Net carrying value	-	12,951,562
Year End net carrying value total	-	14,899,123

Refer to note 36 for further information on interests in associates.

Refer to note 37 for further information on interests in joint ventures.

Due to reclassification's at 30 June 2014, the below notes relate to the year prior.

* 22,000,000 ordinary shares at 25 cents per ordinary share

** Octagonal Resources Limited's (ASX Code: ORS) recoverable value at 30 June 2013. At 30 June 2013 Octagonal closing share price on the ASX of 8.6 cents per ordinary share was used to determine recoverable value.

*** The consolidated entity has a 25% interest in the Four Mile Uranium project (FM Project) in South Australia. The FM Project partner is Quasar Resources Pty Ltd, an affiliate of Heathgate Resources Pty Ltd. The consolidated entity had a free carried interest until a decision to mine was called by Quasar in September 2008 and came into effect on 22 October 2008. The Company received its first cash call in respect of the cost of development of uranium mining at Four Mile East in December 2008. The difference between the carrying amount of the FMJV and the net assets of the FM Project (Refer note 37) is due to the differences in accounting for cash calls between the FM Project and Alliance Resources.

	Consolidated 2014 $	Consolidated 2013 $

NOTE 14. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated 2014 $	Consolidated 2013 $
Ordinary shares	6,533,786	1,033,786
Revaluation of investments to fair value	(5,118,152)	(1,028,060)
	1,415,634	5,726

Reconciliation

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

	Consolidated 2014 $	Consolidated 2013 $
Opening fair value	5,726	6,680
Additions - Investment in ORS	1,408,000	-
Revaluation of assets	1,908	(954)
Closing fair value	1,415,634	5,726

Refer to note 28 for further information on fair value measurement.

Note: The Ordinary shares are listed equity securities in Intec Limited (ASX Code: INL) and Octagonal Resources Limited (ASX Code: ORS). The INL shares were acquired on sale of investment in Encore Pty Ltd on 23 October 2006. The ORS shares were obtained on the listing of ORS in January 2011 at which time Alliance provided to ORS its gold operations assets in and around Maldon, Victoria. Shares in INL and ORS 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.

NOTE 15. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2014 $	Consolidated 2013 $
Plant and equipment - at cost	69,248	115,495
Less: Accumulated depreciation	(61,615)	(101,102)
	7,633	14,393

Reconciliations

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

Consolidated	Plant & Equipment $	Total $
Balance at 1 July 2012	26,521	26,521
Depreciation expense	(12,128)	(12,128)
Balance at 30 June 2013	14,393	14,393
Depreciation expense	(6,760)	(6,760)
Balance at 30 June 2014	7,633	7,633

	Consolidated 2014 $	Consolidated 2013 $

NOTE 16. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION

Exploration/ evaluation costs carried forward - Warrina, SA	-	50,000
Exploration/ evaluation costs carried forward - East Frome, NSW	-	663,073
Exploration/ evaluation costs carried forward - Four Mile Project, SA	846,885	716,875
Exploration/ evaluation costs carried forward - Chile	1,183,848	706,631
	2,030,733	2,136,579

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 $	Total $
Balance at 1 July 2012	3,073,883	3,073,883
Expenditure during the year	1,343,354	1,343,354
Write off of assets	(2,280,658)	(2,280,658)
Balance at 30 June 2013	2,136,579	2,136,579
Expenditure during the year	699,390	699,390
Write off of assets	(805,236)	(607,166)
Balance at 30 June 2014	2,030,733	2,228,803

Notes:

(1) The consolidated entity has a 25% interest in the Four Mile Uranium project (FM Project) in South Australia. The FM Project partner is Quasar Resources Pty Ltd, an affiliate of Heathgate Resources Pty Ltd. The consolidated entity had a free carried interest until a decision to mine was called by Quasar in September 2008 and came into effect on 22 October 2008.

The Company received its first cash call in respect of the cost of development of uranium mining at Four Mile East in December 2008 - Refer note 13 (Investment accounted for using the Equity Method). The consolidated entity has also incurred exploration costs in relation to the FM Project totalling $846,885 (2013: $716,875) and these costs are included above as at 30 June 2014.

(2) 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.

	Consolidated 2014 $	Consolidated 2013 $

NOTE 17. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	53,176	126,252
Accrued expenses	7,249,697	660,448
PAYG payable	25,562	19,764
	7,328,435	806,464

Refer to note 27 for further information on financial instruments.

NOTE 18. CURRENT LIABILITIES - EMPLOYEE BENEFITS

Annual leave entitlement	70,482	73,864

	Consolidated 2014 $	Consolidated 2013 $
NOTE 19. CURRENT LIABILITIES - PROVISIONS		
For Environmental/ Rehabilitation	50,000	865,750

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Environmental/(Rehabilitation) $
Consolidated - 30 June 2014	
Carrying amount at the start of the year	865,750
Reclassification to liabilities directly associated with assets classified as held for sale	(815,750)
Carrying amount at the end of the year	50,000

Refer to note 21 for further information of current liabilities - liabilities directly associated with assets classified as held for sale

	Consolidated 2014 $	Consolidated 2013 $
NOTE 20. CURRENT LIABILITIES - OTHER FINANCIAL LIABILITIES		
Other financial liability	1,473,183	-

Refer to note 41 for further information on deferred share rights and option expense through profit or loss.

	Consolidated 2014 $	Consolidated 2013 $
NOTE 21. CURRENT LIABILITIES - LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE		
Environmental provision	815,750	-
NOTE 22. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS		
Long service leave entitlement	85,450	73,583

Consolidated	30 June 2014 Shares	30 June 2013 Shares	30 June 2014 $	30 June 2013 $
NOTE 23. EQUITY - CONTRIBUTED EQUITY				
Ordinary shares - fully paid	341,172,309	341,172,309	98,918,022	98,918,022

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.

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 2013 Annual Report.

	Consolidated 2014 $	Consolidated 2013 $
NOTE 24. EQUITY - RESERVES		
Available-for-sale reserve	309,909	-
Share-based payments reserve	53,900	53,900
	363,809	53,900

Available-for-sale reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

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 $*	Available for sale reserve $**	Total $
Balance at 1 July 2012	53,900	-	53,900
Balance at 30 June 2013	53,900	-	53,900
Revaluation - gross	-	309,909	309,909
Balance at 30 June 2014	53,900	309,909	363,809

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

** The available for sale reserve is used to recognise the fair value of the investment in Intec Limited and Octagonal Resources Limited.

	Consolidated 2014 $	Consolidated 2013 $
NOTE 25. EQUITY - ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(58,119,104)	(50,830,743)
Loss after income tax expense for the year	(16,978,190)	(7,288,361)
Accumulated losses at the end of the financial year	(75,097,294)	(58,119,104)

NOTE 26. EQUITY - DIVIDENDS

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

NOTE 27. 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 operates in Australia and Chile and at present 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 2014 Alliance had the following cash instruments exposed to interest rate risk - Cash and cash equivalents totalling $16,672,698 (2013: $25,358,979) and receivables $865,750 (2013: $50,000).

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 $175,385 (2013: $254,090)

As at the reporting date, the consolidated entity had the following variable rate items outstanding:

		30 June 2014		30 June 2013
Consolidated	**Weighted average interest rate %**	**Balance $**	**Weighted average interest rate %**	**Balance $**
Cash and cash equivalents	3.47%	16,672,698	4.33%	25,358,979
Term Deposits - non-current	3.73%	865,750	4.30%	50,000
Net exposure to cash flow interest rate risk		17,538,448		25,408,979

Price risk

The Group is exposed to equity securities price risk. This arises from available for sale investments. 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% 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 profit after tax	Effect on equity	Basis points change -%	Effect on profit after tax	Effect on equity
Consolidated - 30 June 2014						
Available for sale financial assets - ORS	25	352,000	352,000	(25)	(352,000)	(352,000)
Available for sale financial assets - INL	25	1,909	1,909	(25)	(1,909)	(1,909)
		353,909	353,909		(353,909)	(353,909)
Consolidated - 30 June 2013						
Investment in Associate	25	473,000	473,000	(25)	(473,000)	(473,000)
Available for sale financial assets	25	1,432	1,432	(25)	(1,432)	(1,432)
		474,432	474,432		(474,432)	(474,432)

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.

Capital management

The objective of capital management is to ensure the consolidated entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for all other stakeholders.

Management aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. Management constantly reviews the capital management to ensure high returns on assets.

The Company currently has no debt.

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 - 30 June 2014						
Non-derivatives						
Non-interest bearing						
Trade payables	-%	53,176	-	-	-	53,176
Accrued expenses	-%	7,249,697	-	-	-	7,249,697
PAYG Payable	-%	25,562	-	-	-	25,562
Total non-derivatives		7,328,435	-	-	-	7,328,435
Consolidated - 30 June 2013						
Non-derivatives						
Non-interest bearing						
Trade payables	-%	126,252	-	-	-	126,252
Accrued expenses	-%	660,448	-	-	-	660,448
PAYG Payable	-%	19,764	-	-	-	19,764
Total non-derivatives		806,464	-	-	-	806,464

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 28. 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 - 30 June 2014				
Assets				
Ordinary shares available-for-sale	1,415,634	-	-	1,415,634
Total assets	1,415,634	-	-	1,415,634
Liabilities				
Other financial liabilities	-	1,473,183	-	1,473,183
Total liabilities	-	1,473,183	-	1,473,183
Consolidated - 30 June 2013				
Assets				
Ordinary shares available-for-sale	5,726	-	-	5,726
Total assets	5,726	-	-	5,726

There were no transfers between levels during the financial year.

NOTE 29. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

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

Chairman - Non-executive
Mr J Dunlop
Executive Directors
Mr S Johnston
Non-executive Directors
Mr I Gandel
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 2014 $	Consolidated 2013 $
Short-term employee benefits	861,406	807,372
Post-employment benefits	60,164	60,087
	921,570	867,459

NOTE 30. 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	82,185	67,000
Other services - BDO East Coast Partnership		
Other services - taxation compliance	24,425	12,167
	106,610	79,167

NOTE 31. CONTINGENT LIABILITIES

Rehabilitation bonds

The consolidated entity has given cash backed bank guarantees as at 30 June 2014 of $865,750 (2013: $50,000) with $50,000 to the NSW Department of Primary Industries and $815,750 to the SA Department of State Development regarding tenement rehabilitation bonds - refer note 19.

Alliance Resources Limited - Legal Proceedings

Access to books, records and agreements pertaining to the Four Mile Joint Venture - Jurisdiction - Federal Court of Australia (Adelaide). Proceedings issued on 16 November 2009.

These proceedings against Quasar Resources Pty Ltd (Quasar) and Heathgate Resources Pty Ltd (Heathgate) are seeking orders, by way of pre-action discovery for Alliance Craton Explorer Pty Ltd (ACE) to access books, records and agreements pertaining to the Four Mile joint venture.

On 26 March 2012 orders were made refusing ACE's application.

On 1 May 2012 ACE appealed that part of the decision dismissing ACE's application for disclosure of documents on the basis that they are jointly owned having been prepared by Quasar, as manager, on behalf of both itself and ACE. The appeal was heard on 19 and 20 November 2012 and on 12 March 2013 ACE's appeal was dismissed with costs awarded to Quasar and Heathgate.

On 9 April 2013 ACE lodged an application for special leave to appeal to the High Court of Australia. On 11 September 2013 the application was heard by the High Court of Australia and refused with costs, thereby concluding the matter.

Final costs are yet to be determined.

NOTE 32. COMMITMENTS

	Consolidated 2014 $	Consolidated 2013 $
Exploration commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	205,000	374,000
One to five years	3,230,000	1,496,000
	3,435,000	1,870,000
Development commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,083,755	9,747,000
One to five years	20,000,000	11,507,000
	25,083,755	21,254,000

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 2 years for all States that the Company operates in.

Development Commitments - The Consolidated entity must meet the development commitments to maintain it's interest in the uranium project. The commitments reflect Alliance's 25% share of the remaining Four Mile Project development costs until first production, adjusted for estimated storage and handling costs while the project is delayed and estimated re-start costs.

NOTE 33. RELATED PARTY TRANSACTIONS

Parent entity

Alliance Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 35.

Associates

Interests in associates are set out in note 36.

Joint ventures

Interests in joint ventures are set out in note 37.

Key management personnel

Disclosures relating to key management personnel are set out in note 29 and the remuneration report in the directors' report.

	Parent 2014 $	Parent 2013 $

NOTE 34. PARENT ENTITY INFORMATION

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

	Parent 2014 $	Parent 2013 $
Statement of profit or loss and other comprehensive income		
Loss after income tax	(11,862,591)	(7,070,281)
Total comprehensive income	(11,862,591)	(7,070,281)
Statement of financial position		
Total current assets	16,699,026	25,219,006
Total assets	42,427,798	44,460,502
Total current liabilities	7,580,902	620,320
Total liabilities	7,666,352	693,903
Net Assets	34,761,446	43,766,599
Equity		
Contributed Equity	98,918,022	98,918,022
Available-for-sale reserve	309,909	-
Share-based payments reserve	53,900	53,900
Accumulated losses	(64,520,385)	(55,205,323)
Total equity	34,761,446	43,766,599

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 2014 (2013: Nil).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2014 (2013: Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2014 (2013: 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.
- Investments in associates 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.

Loans to subsidiaries have been assessed for impairment on the basis that the consolidated net asset position is lower than the parent net asset position. By reference to the expected future positive cash flows from the Four Mile Project, the inter company loan is not recorded above its recoverable amount.

NOTE 35. INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
Name	Principal place of business/ Country of incorporation	30 June 2014 %	30 June 2013 %
Alliance (NSW) Pty Ltd	Australia	100.00%	100.00%
Alliance (SA) Pty Ltd	Australia	100.00%	100.00%
Alliance Craton Explorer Pty Ltd	Australia	100.00%	100.00%
Alliance (Chile) Pty Ltd	Australia	100.00%	100.00%

NOTE 36. INTERESTS IN ASSOCIATES

Interests in associates were accounted for using the equity method of accounting prior to 31 March 2014. Information relating to associates that are material to the consolidated entity are set out below:

		Ownership interest	
Name	Principal activities	31 March 2014 %	30 June 2013 %
Octagonal Resources Limited (ASX: ORS)	Exploration & Mining	20.75%	20.75%

Summarised financial information	31 March 2014 $	30 June 2013 $
Summarised statement of financial position		
Current assets	413,941	341,062
Non-current assets	5,078,875	4,658,567
Total assets	5,492,816	4,999,629
Current liabilities	125,099	271,232
Non-current liabilities	282,066	264,244
Total liabilities	407,165	535,476
Net assets	5,085,651	4,464,153
Summarised statement of profit or loss and other comprehensive income		
Loss	(52,573)	(216,044)
Loss before income tax	(52,573)	(216,044)
Other comprehensive income	-	-
Total comprehensive income	(52,573)	(216,044)

Due to the decrease of ownership interest falling below 20% as from 1 April 2014, the interest in associates is no longer accounted for using the equity method. The investment in ORS has subsequently been reclassified to available for sale financial assets – refer note 14.

NOTE 37. INTERESTS IN JOINT VENTURES

Interests in joint ventures are accounted for using the equity method of accounting. Information relating to joint ventures that are material to the consolidated entity are set out below:

Name	Principal activities	Ownership interest 30 June 2014 %	Ownership interest 30 June 2013 %
Four Mile Project	Development of the Four Mile Uranium Project	25.00%	25.00%

The consolidated entity has a 25% interest in the Four Mile Uranium Project (FM Project) in South Australia. The FM Project partner is Quasar Resources Pty Ltd, an affiliate of Heathgate Resources Pty Ltd. The consolidated entity had a free carried interest until a decision to mine was called by Quasar in September 2008 (in respect of the Mine Development Area (MDA)) and came into effect on 22 October 2008. The consolidated entity is free carried outside the MDA. The consolidated entity received its first cash call in respect of the cost of development of uranium mining at Four Mile East in December 2008.

Summarised financial information	30 June 2014 $	30 June 2013 $
Summarised statement of financial position		
Assets	14,683,533	12,144,213
Total assets	14,683,533	12,144,213
Liabilities	2,641,069	105,111
Total liabilities	2,641,069	105,111
Net assets	12,042,464	12,039,102
Summarised statement of profit or loss and other comprehensive income		
Loss	(4,144,428)	(674,200)
Loss before income tax	(4,144,428)	(674,200)
Other comprehensive income	-	-
Total comprehensive income	(4,144,428)	(674,200)

The difference between the carrying amount of the FMJV (refer note 11) and the net assets of the FMJV is due to the differences in accounting for cash calls between the Joint Venture and Alliance Resources.

Accounting for the Four Mile Joint Venture

The company's interest in the Four Mile Joint Venture has been equity accounted up to 30 June 2014 in accordance with Accounting Standard AASB 128 Investments in Associates and Joint Ventures, as disclosed in notes 13 and 37 to the financial statements. On 30 June 2014 this interest has been reclassififed as a non current asset held for sale as disclosed in note 11.

In preparing the equity accounting entries for the Four Mile Joint Venture in the consolidated financial statements of Alliance Resources Limited, the company has relied upon financial statements prepared by the manager of the Joint Venture, Quasar Resources Pty Ltd. The financial statements have been audited by PricewaterhouseCoopers who issued an unqualified audit opinion. In addition to the legal matters, now settled, by a subsidiary of Alliance Resources Limited, Alliance Craton Explorer Pty Ltd against Quasar Resources Pty Ltd and its related entity Heathgate Resources Pty Ltd, the details of which are disclosed in the directors' report, there are also matters that are in dispute between the Joint Venture parties regarding the Joint Venture including management fees that have been charged to the Joint Venture by Heathgate Resources Pty Ltd and cash calls advanced by Alliance Craton Explorer Pty Ltd which Alliance Craton Explorer Pty Ltd believes may have been used for non-Joint Venture expenses.

In preparing the consolidated financial statements of Alliance Resources Limited these matters have not been adjusted for in the financial statements.

NOTE 38. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	Consolidated 2014 $	Consolidated 2013 $
Loss after income tax expense for the year	(16,978,190)	(7,288,361)
Adjustments for:		
Depreciation and amortisation	6,760	12,128
Impairment of investments	-	954
Share of loss - associates	10,926	216,044
Share of loss - joint ventures	4,144,428	674,200
Impairment of associate	836,654	529,010
Write off of exploration and evaluation	805,236	2,280,658
Deferred share rights and option	1,473,183	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	91,240	(53,681)
Decrease/(increase) in prepayments	(76,172)	24,133
Decrease in trade and other payables	(67,278)	(115,679)
Increase in accruals	6,834,809	396,623
Net cash used in operating activities	(2,918,404)	(3,323,971)

NOTE 39. EARNINGS PER SHARE

	Consolidated 2014 $	Consolidated 2013 $
Loss after income tax attributable to the owners of Alliance Resources Limited	(16,978,190)	(7,288,361)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	341,172,309	341,172,309
Weighted average number of ordinary shares used in calculating diluted earnings per share	341,172,309	341,172,309
	Cents	**Cents**
Basic earnings per share	(4.98)	(2.14)
Diluted earnings per share	(4.98)	(2.14)

NOTE 40. 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:

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 June 2014							
01/01/2010	30/04/2014	$0.30	1,000,000	-	-	(1,000,000)	-
01/01/2010	30/04/2015	$0.50	1,000,000	-	-	-	1,000,000
			2,000,000	-	-	(1,000,000)	1,000,000
30 June 2013							
01/01/2010	30/04/2014	$0.30	1,000,000	-	-	-	1,000,000
01/01/2010	30/04/2015	$0.50	1,000,000	-	-	-	1,000,000
			2,000,000	-	-	-	2,000,000

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

Grant date	Expiry date	30 June 2014 Number	30 June 2013 Number
30/11/2011	30/04/2014	-	1,000,000
30/11/2011	30/04/2015	1,000,000	1,000,000
		1,000,000	2,000,000

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/11/2011	30/04/2015	$0.14	$0.50	69.23%	-%	3.93%	$0.027

	Consolidated 2014 $	Consolidated 2013 $

NOTE 41. OTHER CURRENT FINANCIAL LIABILITY - ITOCHU - DEFERRED SHARE RIGHTS AND OPTION

Financial liabilities at fair value through profit or loss		
Deferred Share Rights – re 14.9% of AGS	1,144,527	-
Option – re 25.1% of Alliance Craton Explorer	328,656	-
	1,473,183	-

Financial Liabilities Fair Values

In August 2012 shareholders approved the issue of deferred share rights pursuant to a deferred share rights deed (DSRD) between AGS, Alliance Craton Explorer Pty Ltd (ACE) and various entities from the Itochu group including NURA 3 Pty Ltd, Itochu Minerals & Energy of Australia Pty Ltd and Itochu Corporation (collectively "**ITOCHU**").

The DSRD gives ITOCHU the right to –

(a) purchase 14.9% of the shares (the DSR), at a 10% discount, in either of AGS or ACE ; and

(b) provided it has exercised the rights set out in paragraph (a), the further option to purchase shares amounting to 25.1% of ACE at a 5% discount (the Option)

Up until 30 June 2014 no fair value (FV) for these financial liabilities has been recorded in AGS's statutory accounts as for when the rights would crystallise. On 30 June 2014 all Court matters were "Finally Determined" and, as a consequence, ITOCHU's rights became capable of exercise. Accordingly, a FV must now be recognised as at that date pursuant to AASB 139 (Financial Instruments: Recognition & Measurement).

Although the DSRD includes formulae for determining the amounts to be paid by Itochu for the relevant interests in AGS / ACE by reference to VWAP calculations for the 2 months ending 30 September 2014, the Accounting Standards require the use of a 2 month VWAP period ending no later than the 30 June 2014 balance date.

Accordingly, as the accounting entries for both FVs incorporate the AGS VWAP for the 2 months to 30 June 2014, rather than the VWAP required by the DRSD, the amount payable by ITOCHU should it exercise its rights may differ from the FVs.

While it is not currently known if ITOCHU will exercise its rights under the DSRD or, if it does, whether it will opt to take up 14.9% of AGS or ACE, the DSR FV has utilised a FV calculation for the AGS alternative. As the DSR are now able of exercise by ITOCHU the FV was determined pursuant to the DSRD with the FV representing the 10% difference between the exercise price under the DSRD and the determined AGS market price of the relevant share parcel.

While it is also not currently known if ITOCHU will exercise the Option, the Option FV was determined pursuant to the DSRD with the FV representing the 5% difference between the exercise price under the DSRD and the 25.1% share of the implied equity value of ACE, which equity value was determined after taking into account certain factors including the net indebtedness of ACE to AGS for in excess of $25m being funds advanced to meet Four Mile cash calls and other expenses.

ITOCHU has until 31 December 2014 to notify AGS if it will exercise the DSR and convert them into AGS or ACE shares and if it does so, it has until 30 June 2015 to notify AGS if it will also exercise the Option and acquire ACE shares.

NOTE 42. EVENTS AFTER THE REPORTING PERIOD

On 18 July 2014, Alliance announced that, as part of the terms of the settlement, Alliance Craton Explorer Pty Ltd agreed to contribute a one off amount of $1,610,990.75 towards costs incurred in the misleading and deceptive conduct proceeding by Quasar and a one-off amount of $2,946,000 towards costs incurred by Heathgate. The subsequent announcement of the settlement financial terms was considered to be required under the ASX listing rules.

On 18 August 2014, Alliance reported total production of 408,156 pounds of uranium oxide concentrate from the Four Mile Uranium Mine for April to June 2014 at an average cash operating cost of $26.67 per pound produced (excluding shipping, marketing and royalties as no sales have occurred). Total costs for the same period are estimated by Alliance to average $38.33 per pound produced, including mining and processing, short-term[1] capital costs (FME drilling and wellfield construction, program management and regulatory costs), long-term[2] capital costs (trunkline, overhead powerline, engineering & construction management and asset (equipment) sales) but excludes shipping, marketing and royalties (as no sales have occurred) and regional delineation drilling[3].

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

1 Short-term capital costs proportioned as mine production to date divided by FME mineral resource of 29Mlb multiplied by 70% ISR extraction, with the exception of FME drilling and wellfield construction costs from Oct 2008 to Nov 2012, which were proportioned as wellfield production to date divided by First Stage Mining Area potentially leachable resource of 2.8Mlb (sources: Quasar's Manager's monthly report for Nov 2012 and Quasar's Revised Start-Up Plan dated 20 Dec 2013).

2 Long-term capital costs proportioned as life-of-mine production to date divided by total mineral resource of 71Mlb (Four Mile East 29Mlb, Four Mile West 42Mlb) multiplied by 70% ISR extraction.

3 ACE and Quasar disagree about the nature of the regional delineation drilling. Quasar asserts it is a mining development cost for which ACE must pay its share. ACE asserts it is an exploration cost for which Quasar must pay in full.

Directors' declaration
30 June 2014

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 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

John Dunlop

John Dunlop
Chairman

30 September 2014
Melbourne

Independent audit report

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INDEPENDENT AUDITOR'S REPORT

To the members of Alliance Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Alliance Resources Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of Alliance Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 27 of the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of Alliance Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

James Mooney
Partner

Melbourne, 30 September 2014

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Shareholder information
30 June 2014

The shareholder information set out below was applicable as at 11 September 2014.

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	1,171
1,001 to 5,000	1,875
5,001 to 10,000	927
10,001 to 100,000	1,709
100,001 and over	399
	6,081
Holding less than a marketable parcel	2,467

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 share
	Number Held	% of total shares issued
ABBOTSLEIGH PROPRIETARY LIMITED	87,875,150	25.76
NEFCO NOMINEES PTY LTD	7,752,000	2.27
JP MORGAN NOMINEES AUSTRALIA LIMITED	6,676,088	1.96
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,317,566	1.85
INVIA CUSTODIAN PTY LIMITED (JOHN S DUNLOP FAM SUPER A/C)	6,070,000	1.78
HOME IDEAS SHOW PTY LTD (UB PROMOTIONS SPF A/C)	5,315,000	1.56
HOLBROOK CORPORATION PTY LTD	4,747,821	1.39
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	4,078,335	1.20
CITICORP NOMINEES PTY LIMITED	3,959,952	1.16
MINLINK PTY LTD (STEPHEN JOHNSTON S/FUND A/C)	3,487,733	1.02
MR JASON MILES BARTLETT	3,420,000	1.00
MS CATHERINE PATRICIA BURROW + MR KEITH LAWRENCE BURROW (KL&CP BURROW SUPER FUND A/C)	2,900,000	0.85
MR STEVEN JAMES COLE	2,500,000	0.73
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	2,003,900	0.59
MINLINK PTY LTD (SF JOHNSTON FAMILY A/C)	2,000,000	0.59
MR PAUL FREDERICK TOWNSEND	1,975,500	0.58
BECK CORPORATION PTY LTD	1,775,000	0.52
HOLBROOK CORPORATION PTY LTD	1,752,179	0.51
MR JOZE VUKOVICH + MRS SHARON ELIZABETH ANN VUKOVICH (THE BANJA S/F A/C)	1,537,326	0.45
MR EDWARD JUDE NUGENT AND MR DANIEL JAMES NUGENT (THE EDWARD NUGENT S/F A/C)	1,512,917	0.44
	157,656,467	46.21

Shareholder information
30 June 2014

Unquoted equity securities

	Number on issue	Number of holders
Unlisted Options - exercise price $0.50, expire 30 April 2015	1,000,000	1

Substantial holders

Substantial holders in the company are set out below:

		Ordinary shares
	Number held	% of total shares issued
Abbotsleigh Proprietary Limited	87,875,150	25.76

Voting rights

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

Ordinary shares

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.


EXTRACTION

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