Alloy

Resources Limited

ABN 20 109 361 195

ANNUAL REPORT 2014

Alloy

RESOURCES LIMITED

ABN 20 109 361 195

Corporate Directory

Directors

Mr Andrew Viner	Executive Chairman
Mr Kevin Hart	Non-Executive Director
Mr Andre Marschke	Non-Executive Director

Company Secretary

Mr Kevin Hart

Principal and Registered Office

Suite 6, 7 The Esplanade
Mt Pleasant, Western Australia 6153
Telephone: (08) 9316 9100
Facsimile: (08) 9315 5475
Website: *www.alloyres.com*

Auditor

KPMG
235 St George's Terrace
Perth, Western Australia 6000

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Stock Exchange Listing

The Company's shares are quoted on the Australian Securities Exchange. The Home Exchange is Perth, Western Australia.

ASX Code

AYR – Ordinary shares

Contents

Chairman's Letter to Shareholders

Dear Fellow Shareholders,

It was another challenging year for Alloy Resources against the backdrop of a softening gold price and continued disinterest in junior resource companies.

Recognising the difficulty in funding operations but still wanting to advance our exciting Horse Well project we sought out a joint venture partner who could not only provide financial resources but also augment the project with technical resources.

The work Alloy had completed on a tight budget kept indicating that we were onto a major gold system but the size and complexity of the project meant we could definitely use financial and technical assistance.

With this in mind we were delighted to attract Doray Minerals Limited as a partner to Farm-in to the project and ensure continued funding and exploration activity. Doray have successfully discovered and developed a new gold mine at Andy Well in the Murchison region of Western Australia and regard Horse Well as a great opportunity to make a new discovery based on the work done by Alloy to date.

The Company was able to ensure a non-withdrawal expenditure by Doray of approximately one million dollars in the first year, assisted by a $150,000 Western Australian Government Exploration Incentive Scheme grant. The Agreement also ensures extensive drilling is completed, giving our shareholders a great opportunity to see new discoveries in the near-term.

Just prior to the time of this report we were very pleased to see a diamond drill hole intersect 120 metres @ 0.60 g/t Au from 125 metres depth within the Dusk til Dawn prospect, which has confirmed that we have a large gold mineralised system present (ASX Announcement 10 September 2014).

Analysis of the diamond hole has led to more precise targeting of a larger follow up Air Core drill program which is ongoing and will see results flow over the next 4 weeks.

We believe that the total of $2 million dollars Doray must spend within two years should be sufficient to define significant new gold discoveries to the benefit of both companies.

Now that activity at Horse Well is being funded and operated by an excellent partner we have turned our attention to new project generation and are currently assessing a number of opportunities that look promising.

Thank you for your continued support and we look forward in anticipation of the results to flow from Horse Well and new project acquisitions.

Andy Viner
Executive Chairman

Review of Operations

Highlights

During 2013-2014, the Company has:

- Focussed exploration at the Horse Well Gold Project in Western Australia
- Defined an exciting new 30 square kilometre target area at Crack of Dawn
- Intersected significant gold mineralisation in RC drilling at the Dusk til Dawn prospect
- Defined new soil anomaly targets over a 7 kilometre strike south of the Warmblood prospect
- Secured a Farmin JV partner, Doray Minerals Limited, to the Horse Well Gold Project

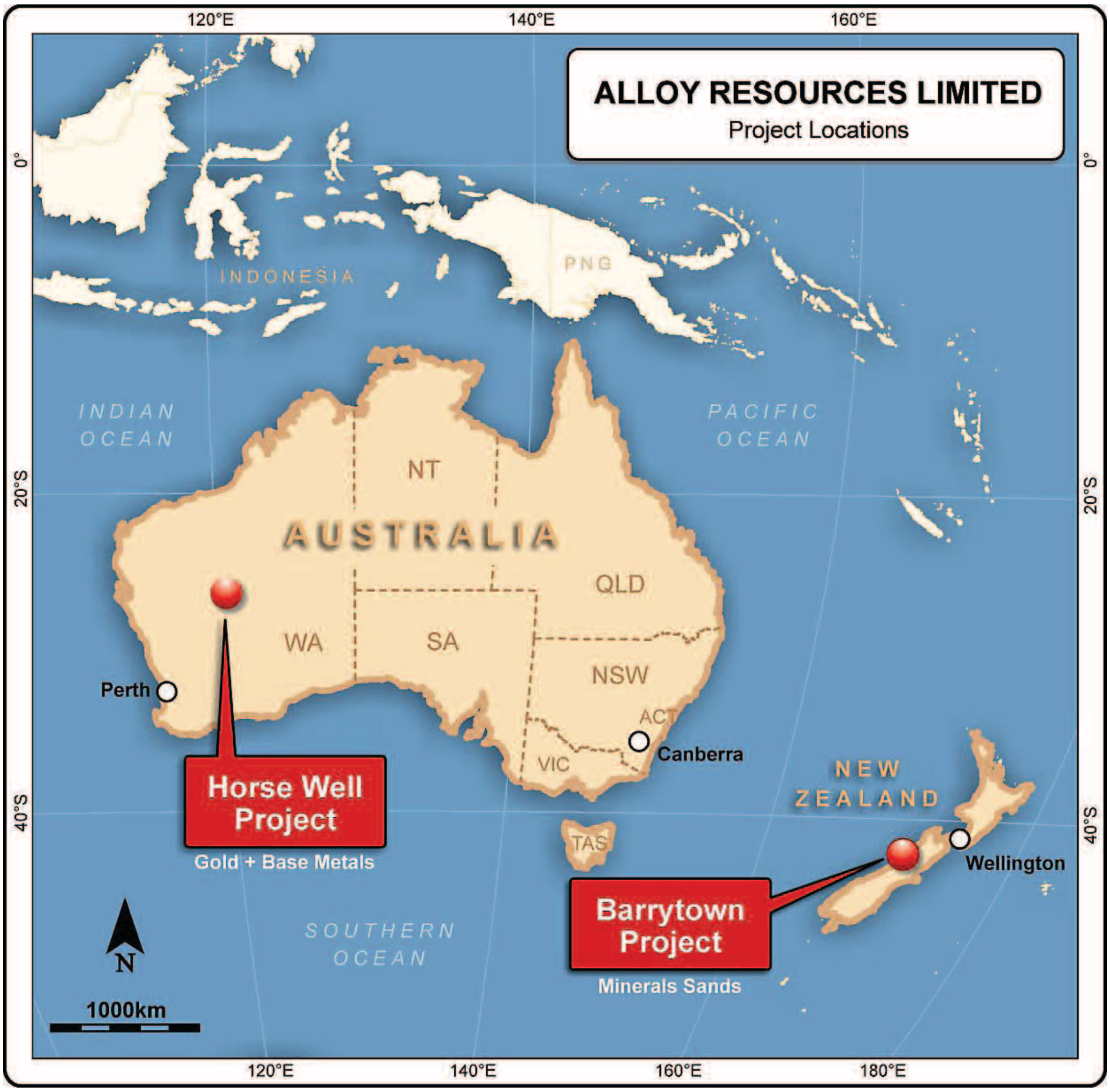

Figure 1. Alloy Resources Limited Project Locations.

Horse Well Project

The Horse Well project is located in the Warburton Mineral Field of Western Australia approximately 85 kilometres north-east of the town of Wiluna. The Project occurs in the northern part of the Millrose Greenstone Belt parallel to greenstone belts that hosts a number of multi-million ounce gold projects such as the Jundee, Wiluna, Bronzewing and Darlot-Centenary gold mines (Figure 2).

Exploration in the region is relatively immature, with the northern end of the Yandal Greenstone belt having been largely ignored until the discovery of significant gold deposits at Bronzewing and Jundee in the mid 1990s. The Horse Well project area was defined at the same time with discovery of gold by surface geochemical sampling programs (rock, soil and deflation lag), target-definition drilling (RAB, Air-core, vacuum), RC and some diamond drilling to test targets and an aerial geophysical survey. The majority of this work occurred between 1993 and 1998.

The Company believes that the Millrose Greenstone belt shows the geological potential to host another large area of gold mineralisation like those greenstone belts that it parallels.

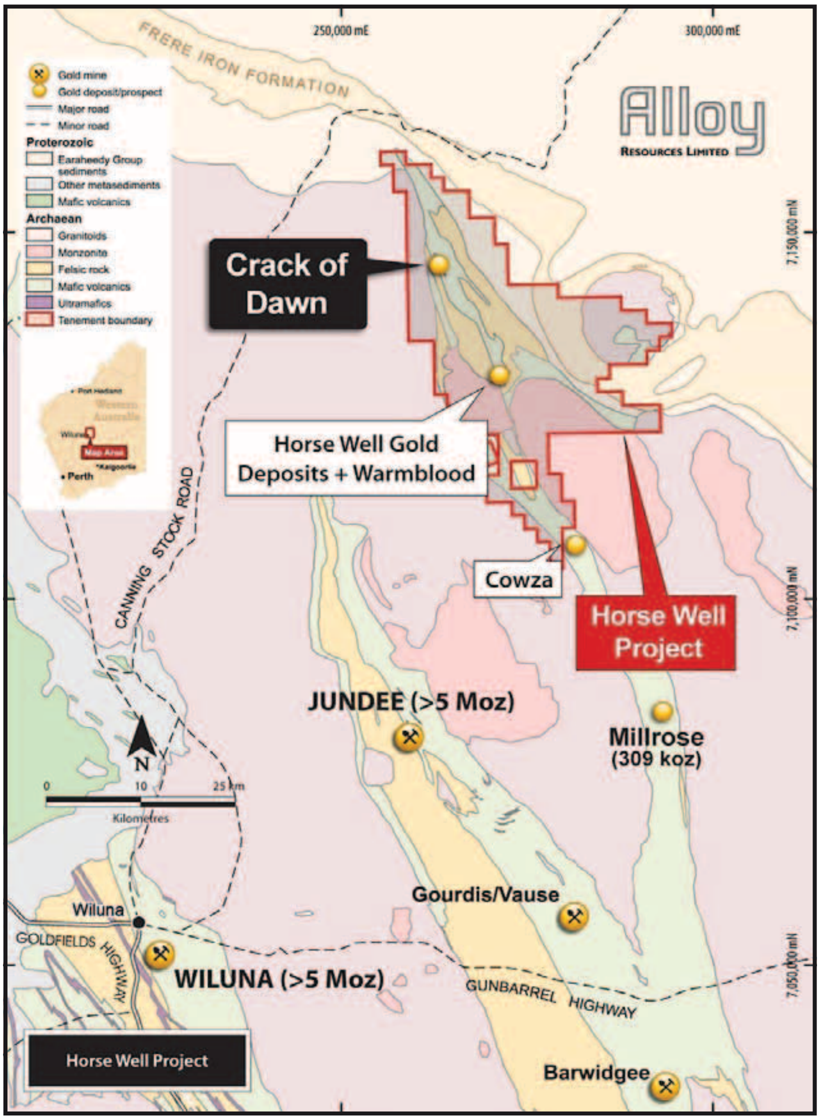

Figure 2. *Alloy's Tenement coverage in the Yandal Region of Western Australia.*

Exploration by the Company during the year focussed on infilling its drill coverage by drilling angled air core and RC holes along prospective trends at the Warmblood and Crack of Dawn prospects. These programs were successful in defining mineralisation in the Filly prospect area along the new Warmblood trend discovered in June 2011 as well as highlighting the exciting potential of the Crack of Dawn regional target (Figure 2).

Surface geochemical sampling was utilised to infill weak soil anomalies along a 7 kilometre trend south from Warmblood within the same structural position, and was successful in defining 3 cohesive soil anomalies.

A more regional geochemical program was completed to define broad alteration trends within the project. This involved the collection of bottom of hole drill chips from both historical samples located in the field as well as stored sample pulps from the laboratory. This program successfully defined alteration patterns and stratigraphic rock unit trends.

1. Crack of Dawn Prospect

A regional review of areas in the project with anomalous gold results highlighted the Crack of Dawn prospect as a strong area of interest as shown on an aeromagnetic image in Figure 3 below.

This prospect is located 15 kilometres north-west of the Company's main Horse Well gold prospects in an area of extensive surface sand cover. The prospect was located by Eagle Mining in the mid 1990s following air-core drill testing of an aero-magnetic anomaly that suggested the presence of a buried granite intrusive and strong structural deformation.

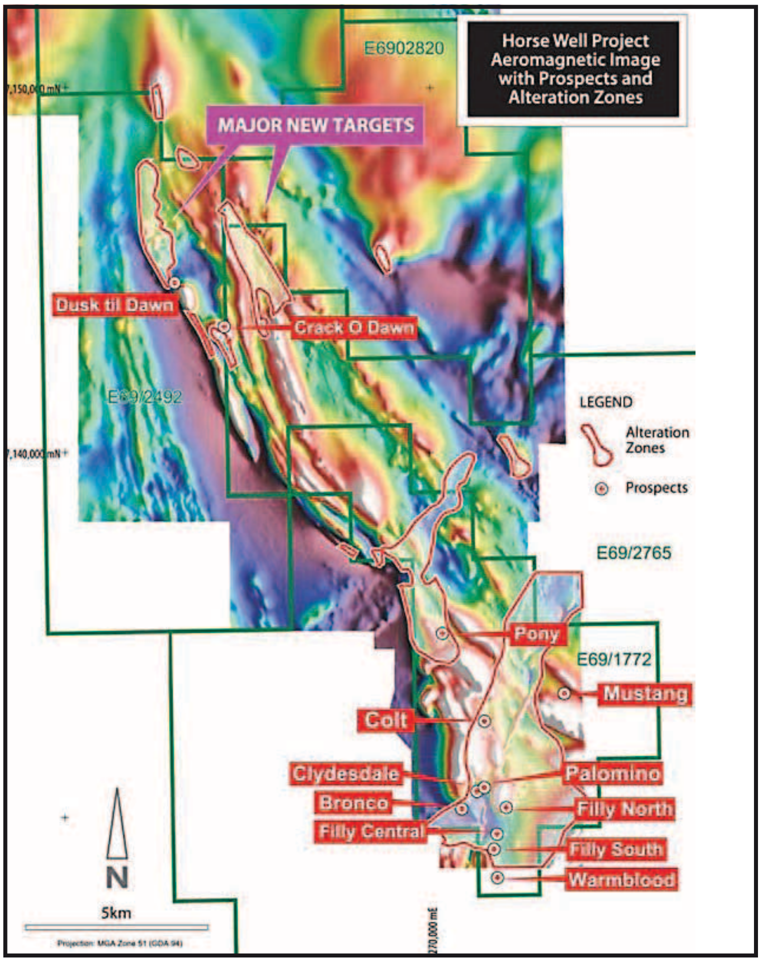

Figure 3.
Crack of Dawn Exploration Target area on regional aeromagnetic image.

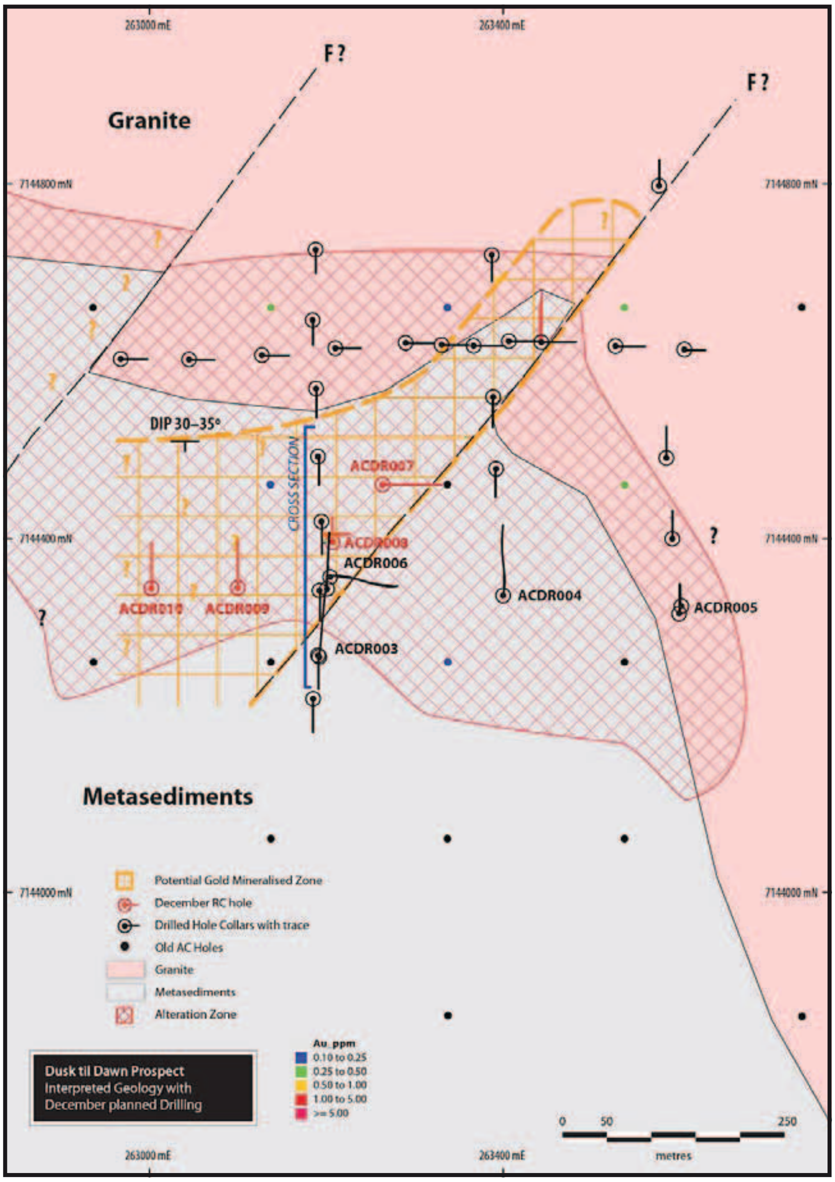

Figure 4. *Dusk til Dawn prospect drill and geology plan.*

No work has been done on the prospect since 1997 despite three drill anomalies being defined, including a hole returning 11m @ 3.45 g/t gold from 44–55 metres depth at the end of hole.

Following December 2012 air-core drilling that confirmed the nature of the historical drill anomalies at Crack of Dawn and Dusk til Dawn prospects, single RC holes in July 2013 were drilled at each prospect which confirmed deeper gold mineralisation.

At Dusk til Dawn a large alteration system has been interpreted that may be up to 100 metres thick and extending over a 1,000 metre by 500 metre area and during the year an additional 9 RC holes were completed (Figure 4 and 5).

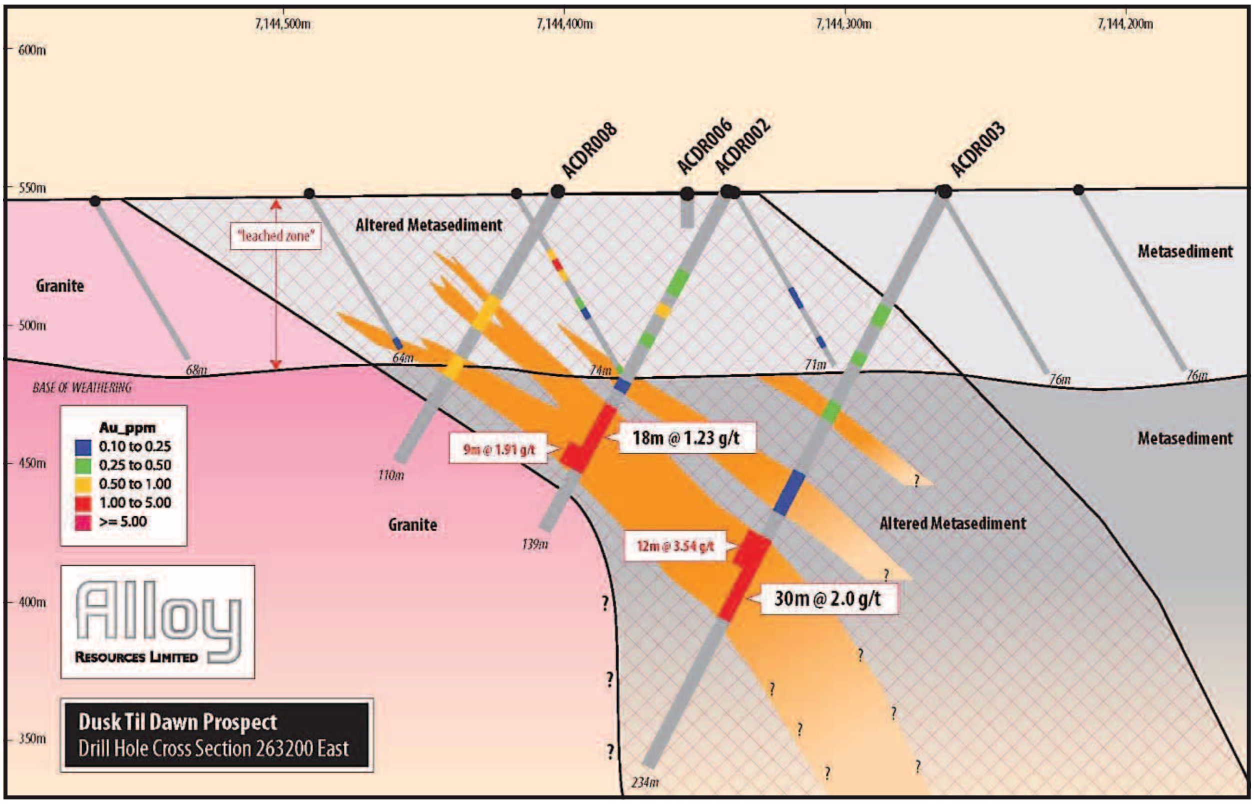

Figure 5. *Dusk til Dawn prospect drill and geology cross-section.*

Mineralogical Studies

Mineralogical studies of the RC drilling were completed to try and understand the nature and style of alteration and gold mineralisation at Dusk til Dawn. This work by Dr Ben Grguric of Mineralium Pty Ltd, defined an upper-greenschist/ lower amphibolite facies potassic hydrothermal alteration overprint of the geological units in the area.

Gold mineralisation is associated with a broad zone of potassic alteration and magnetite destruction. The hydrothermal alteration scheme observed is:

INNER (gold related):	biotite-calcic plagioclase-K feldspar-quartz-pyrite
OUTER:	biotite-chlorite-epidote-calcite-calcic plagioclase-K feldspar +/- pyrite +/- magnetite

A characteristic of the inner gold mineralised zone is very few quartz-calcite veins and a strong shear fabric together with fine grain size. This style is of a ductile shear zone type and potential exists for higher grade dilational zones or intersecting structures. Very high grade dilatant zones would be expected to contain an alteration assemblage of quartz-carbonates +/- albite +/- muscovite +/- pyrite.

This style of deposit is very similar to the Granny Smith mine located in the Laverton Goldfields in WA, where a large shear zone interacts with both a granite contact and adjacent BIF rich host rocks to form over 2 million ounces of gold.

Interpretation

Regional Crack of Dawn Magnetic Targets

The confirmation of an extensive high temperature potassic biotite-pyrite rich alteration system at Dusk til Dawn is extremely encouraging for regional exploration at the Horse Well Gold Project. The Company regards this as confirming previously espoused observations that historical drilling indicates a strike extensive (5km and open) alteration zone around the Crack of Dawn granite contact with surrounding greenstone rocks.

Using the Granny Smith model as a guide one would expect gold mineralisation to be focussed on the granite contact, particularly where the sheared contact flattens or bends in three dimensions. De-magnetisation zones within the BIF sedimentary package would also offer a strong target for gold mineralisation (such as at Dusk til Dawn).

De-magnetisation is also an extremely valid targeting tool on a regional basis, given the apparent high amount of hydrothermal fluids in this area. This appears to validate the Targets generated by Independent geophysics group Southern Geoscience Consultants as reported in July 2013. Figure 6 presents this information which has formed a significant basis for planning of future exploration in consultation with the Company's Independent Experts.

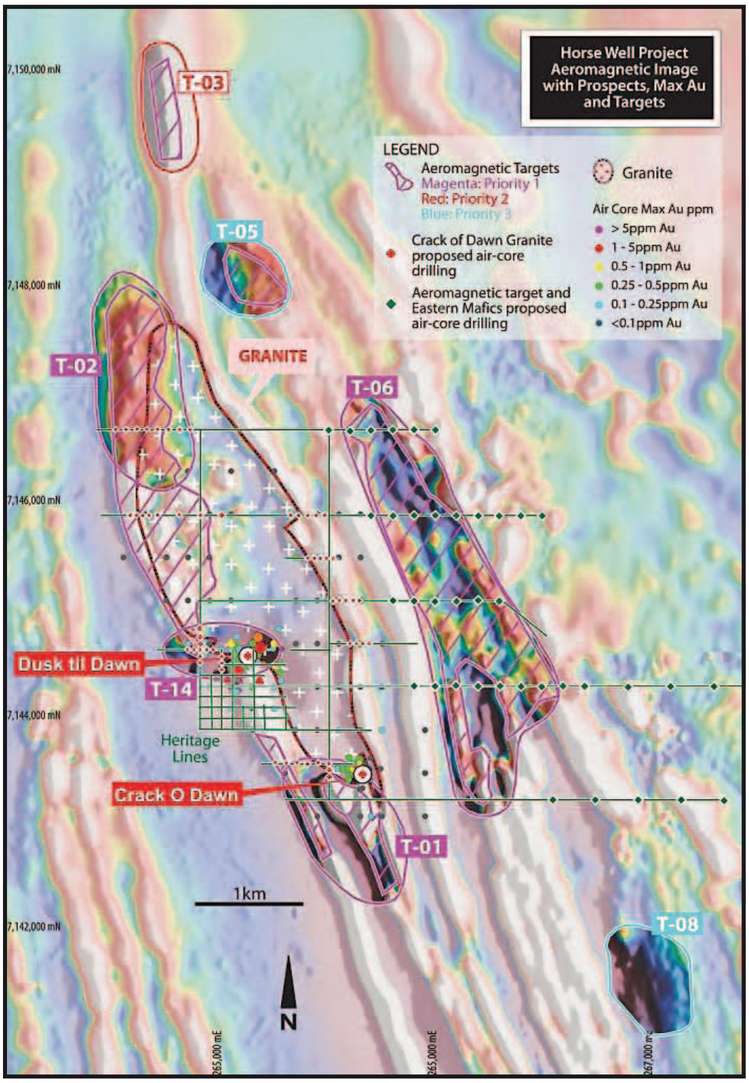

Figure 6. Crack of Dawn regional aeromagnetics, targets and planned AC drilling.

More Recent Activities

On 23 May 2014 the Company announced that it had decided to secure the long-term funding that the Horse Well Gold Project required by introducing a Farmin partner to the project in Doray Minerals Limited. Doray have since commenced exploration based on a planned and permitted program designed by Alloy.

The parties have entered into a binding Heads of Agreement. Key Terms agreed are listed below:

1. $100k cash payment to Alloy at Commencement.
2. $900k non-withdrawal expenditure within the first 12 months after Commencement.
   - The initial minimum commitment to be met completing an agreed programme based upon the currently permitted and approved drilling programme as presented for the Crack of Dawn region with follow-up as required.
   - Doray to manage the JV with field input from Alloy for, at least, the initial minimum commitment period.
3. Doray to earn 60% with a further spend of $1M within 24 months of Commencement.
4. Doray to spend a further $2M within 36 months of Commencement.
   - Alloy at this time can elect to contribute pro rata to this $2M and continue through to PFS or dilute to 20% using industry standard formula.
5. Alloy to contribute from PFS and beyond (i.e. DFS, DTM and operational JV) or dilute to 1% NSR using an industry standard formula.

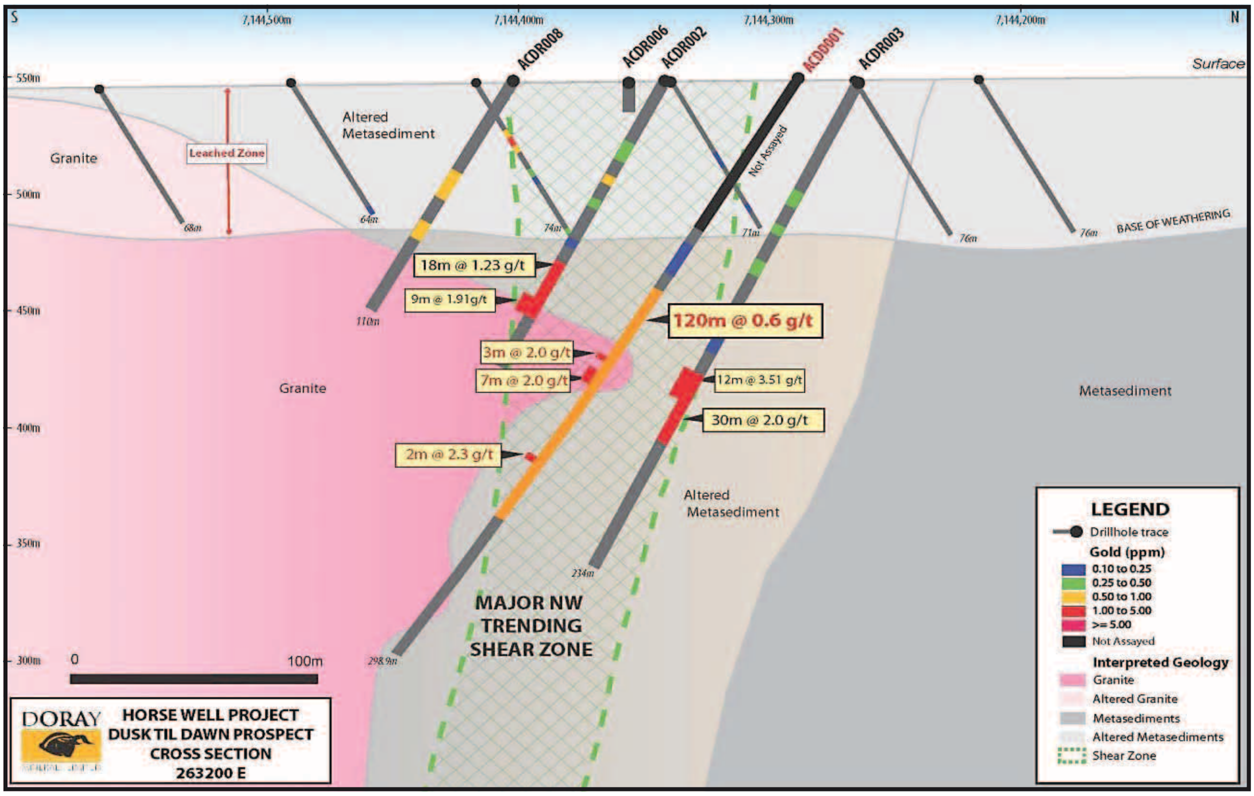

Figure 7. Dusk til Dawn Diamond Hole – cross-section.

In June 2014 the Company received an Exploration Incentive Scheme grant of $150,000 from the Western Australian Government to cover 50% costs of the planned program.

The initial part of the program has seen a Diamond Drll hole completed at the Dusk til Dawn prospect which has been highly successful in confirming a major structure that has extensive gold mineralisation associated with the granite contact (Figure 7). This result has been highly encouraging for the focus of further gold mineralisation along the 14 kilometre strike of granite contact.

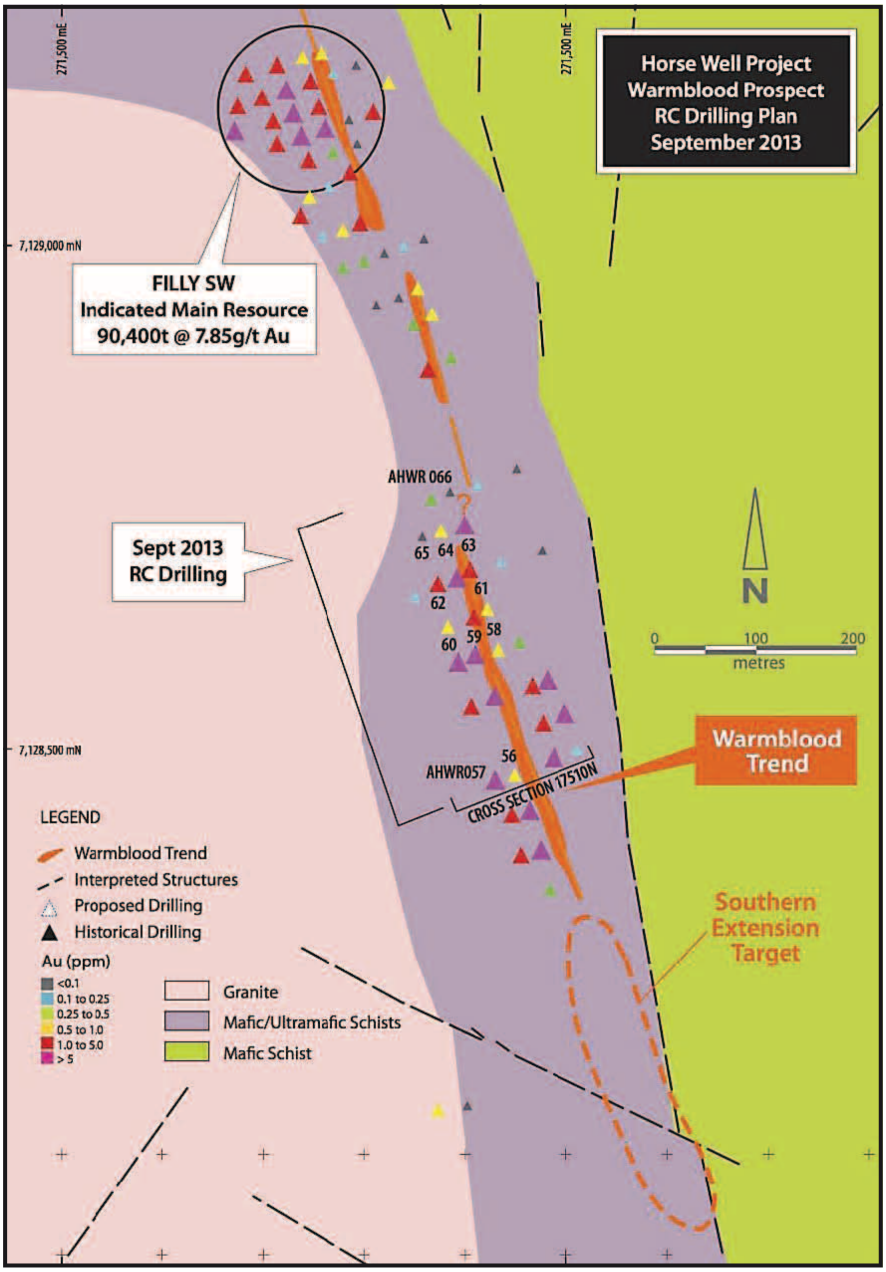

Figure 8. Warmblood drill cross-section.

2. Filly South West – Warmblood Area

The Filly South-west Resource has been found to be part of a mineralised trend that extends for a further 750 metres south along the Warmblood Trend (Figure 8).

In-fill drilling has confirmed continuous mineralisation along the trend and a Mineral Resource is planned to be calculated.

Discussions with third party ore processors has commenced to ascertain the economic viability of toll milling shallow ore in the Horse Well deposits, and the Warmblood mineralisation will form part of any scoping study review.

3. Warmblood South Area

During the year, in-fill soil sampling successfully defined 3 coherent soil anomalies along a narrow greenstone trend between granites, and adjacent to the Celia shear as shown in Figure 9 below. These anomalies require follow-up with initial RAB or air-core drill traverses.

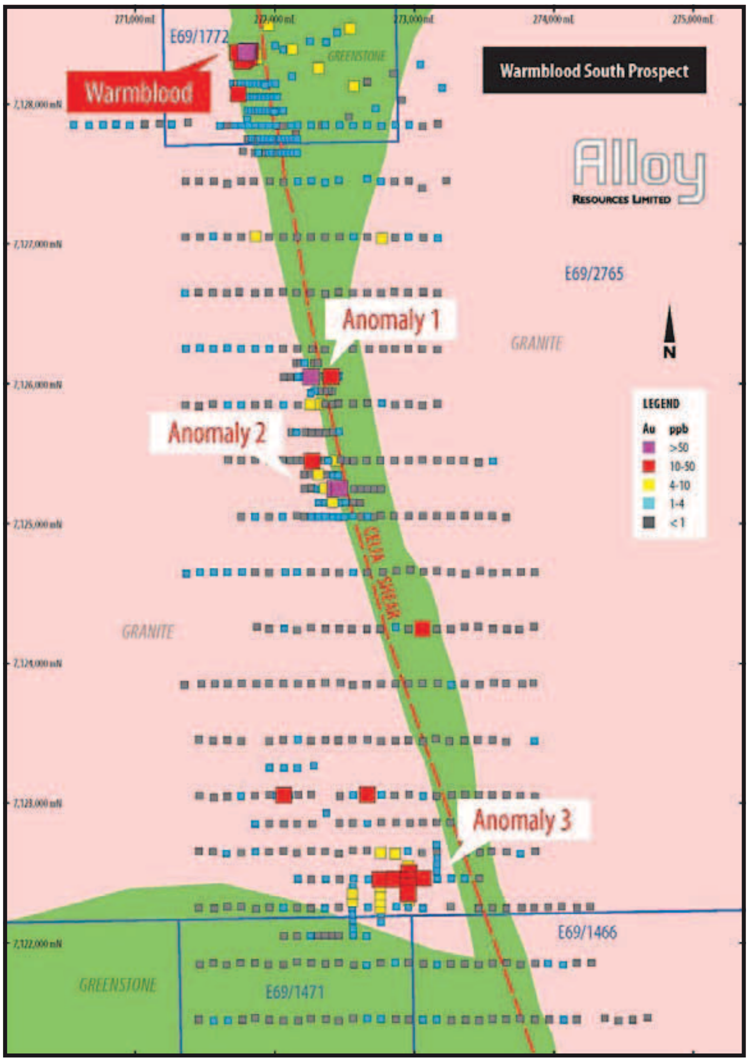

Figure 9. Warmblood South soil anomalies.

Barrytown Project – New Zealand

Alloy Resources Limited exploration permit EL 51803 covers the Barrytown Mineral Sands deposit located on the South Island of New Zealand, 28 kilometres north of the port of Greymouth.

In September 2012 the Company entered into a Term Sheet with Pacific Mineral Resources Limited (PMRL), an unlisted public company, and subsequently formalised this through a Farm-in Agreement on the 5 April 2013. PMRL can earn an 80% interest by completing a positive pre-feasibility study within 2 years and exploration drilling to achieve this was commenced in July 2013.

PMRL and the Company entered into a Sale Agreement for the Project on the 28 March 2014. The settlement date for completion of a payment of $300,000 has been extended to the 30 November 2014.

Mineral Resource Statement

Resource Estimate Summaries

There has been no change to the total gold inventory for the Horse Well Gold Project.

Whilst drilling activities have defined new areas of mineralisation, in particular at the Warmblood prospect, no new mineral resource estimate has been completed and the Mineral Resource Statement remains unchanged from the previous year.

The current gold mineral resources at Horse Well are listed below and their location illustrated in Figure 10.

Table 1: *Horse Well Mineral Resources (JORC 2004).*

Project	Prospect	JORC Category	Tonnes	Grade (g/t Au)	Ounces Au
Horse Well	Palomino	indicated	656,000	2.52	53,150
		Inferred	105,000	3.71	12,525
	Bronco	indicated	41,400	1.59	2,117
	Filly	indicated	161,300	1.56	8,091
	Filly SW	indicated	90,400	7.85	22,817
Total			**1,054,100**	**2.91**	**98,700**

(This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last updated.)

The Company has not changed its governance and internal controls with regards to estimates of mineral resources since previous reporting as no change was warranted, pending commencement of any new estimation.

COMPETENT PERSONS STATEMENT

The Mineral Resource Statement is based on, and fairly represents, information and supporting documentation compiled by Dr S Carras.

The information in this Mineral Resource Statement as a whole has been approved by Mr Andrew Viner, a Director of Alloy Resources Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr Viner 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Viner consents to its inclusion in the Annual Report in the form and context in which it appears.

Mr Viner is a shareholder and option holder of Alloy Resources Limited.

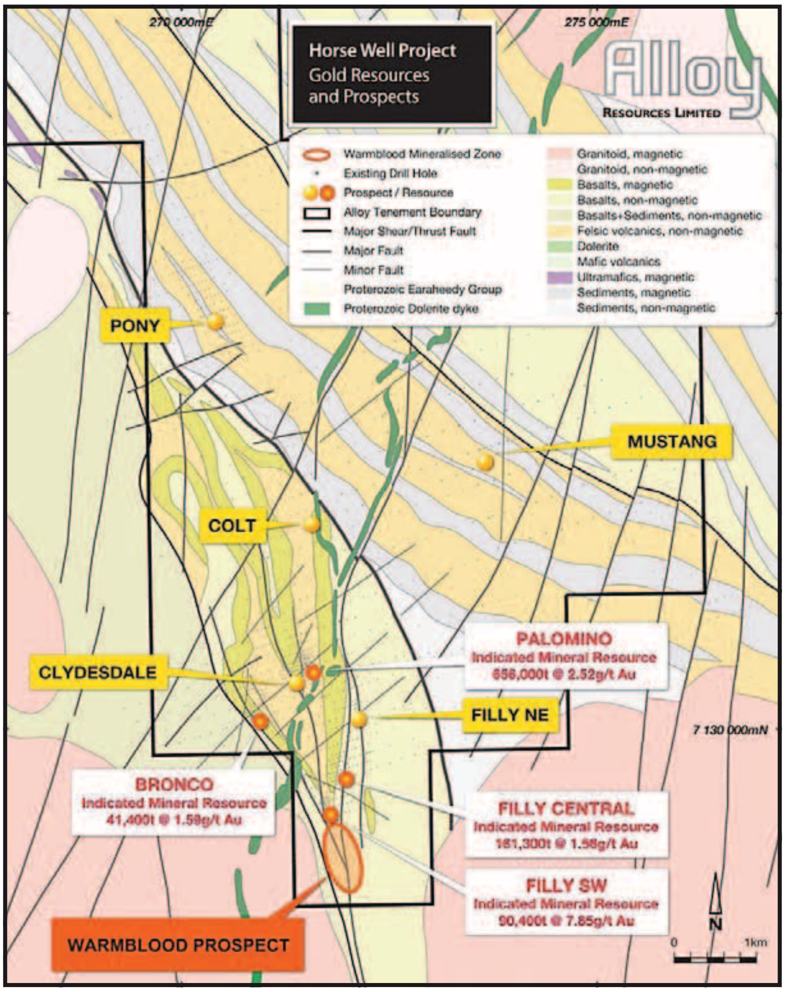

Figure 10. *Horse Well Project Resources and Prospects on geology.*

EXPLORATION RESULTS

The information in this report which relates to Exploration Results is based on information compiled by Andrew Viner, a Director of Alloy Resources Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr Viner 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Viner consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Mr Viner is a shareholder and option holder of Alloy Resources Limited.

MINERAL RESOURCES

The resources in this release are based on work carried out by Dr S Carras FAusIMM of Carras Mining Pty Ltd. Dr Carras has 30 years of 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 "Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves" and consents to the inclusion in this report of the information in the form and context in which it appears.

Schedule of Tenements

Project	Tenement	Alloy Equity
(All tenements registered to Alloy Resources Limited except where noted below)		
Horse Well		
Eskay Resources Pty Ltd 100%	E69/1772	100%
(Eskay Resources Pty Ltd is a wholly owned subsidiary of Alloy Resources Limited)		
Alloy Resources Limited – Granted	E53/1466	100%
Alloy Resources Limited – Granted	E53/1471	100%
Alloy Resources Limited – Granted	P53/1524	100%
Alloy Resources Limited – Granted	P53/1525	100%
Alloy Resources Limited – Granted	P53/1526	100%
Alloy Resources Limited – Granted	E69/2765	100%
Alloy Resources Limited – Granted	E69/3069	100%
Alloy Resources Limited – Granted. Wayne Jones royalty	E69/2492	100%
Alloy Resources Limited – Granted. Phosphate Australia Limited 20% free carried	E69/2820	80%
All Horse Well Tenements subject to a Farmin Agreement with Doray Minerals Limited		
Barwidgee		
Alloy Resources Limited – Application	E53/1808	0%
Barrytown Mineral Sands Project – New Zealand		
Alloy Resources Limited – Granted	EL 51803	100%
Subject to farm-out of 80% interest to Pacific Mineral Resources and/or Sale Agreement		

continued

Corporate Governance Statement

The Directors of Alloy Resources Limited ("Alloy") or the ("Company") support the establishment and ongoing development of good corporate governance for the Company and the Group.

Alloy has adopted systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. The Board of the Company is committed to administering the policies and procedures with openness and integrity, commensurate with the Company's needs.

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("**ASX Principles and Recommendations**").

Further information about the Company's corporate governance practices is set out on the Company's website at *www.alloyres.com*. In accordance with the recommendations of the ASX, information published on the Company's website includes:

- Board Charter
- Code of Conduct for Directors and Key Executives
- Code of Ethics and Conduct
- Share Trading Policy
- Shareholder Communication Strategy
- Continuous Disclosure Policy
- Diversity Policy
- Risk Management Policy

This Statement sets out the corporate governance practices in place during the financial year and as at the date of this report which comply with the principles of the Corporate Governance Council unless otherwise stated.

Corporate Governance Council Principle 1
Lay Solid Foundations for Management and Oversight

Role of the Board of Directors

The role of the Board is to build long term sustainable value for its security holders whilst respecting the interests of its stakeholders.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors. The Board approves and monitors expenditure, ensures the integrity of internal controls and monitors and approves financial and other reporting.

In complying with Recommendation 1.1 of the Corporate Governance Council, the Board has adopted a Board Charter which clarifies the respective roles of the Board and assists in decision making processes.

Board Processes

An agenda for Board meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Managing Director and the Company Secretary.

Evaluation of Senior Executive Performance

The Company has not complied with Recommendation 1.2 of the Corporate Governance Council as the Board have not undertaken a formal review of senior executive performance for the year ended 30 June 2014.

Due to the early stage of development of the Company, it is difficult for quantitative measures of performance to be established. As the Company progresses its current projects, the Board intends to establish appropriate evaluation procedures.

Corporate Governance Council Principle 2

Structure the Board to Add Value

Board Composition

The Constitution of the Company provides that the number of Directors shall not be less than three. There is no requirement for any shareholding qualification.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the Company, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and are subject to re-election by shareholders at the next general meeting. In any event one third of the Directors are subject to re-election by shareholders at each general meeting.

The Board is presently comprised of three members, two Non-Executive and one executive.

The Board has assessed the independence of its Non-Executive directors according to the definition contained within the ASX Corporate Governance Guidelines and has concluded that during the financial year the Non-Executive Chairman, Mr Peter Harold was the only director that meet the recommended independence criteria. As the Board does not have a majority of independent directors as set out in the best practice recommendations, the Company does not comply with Recommendation 2.1 of the Corporate Governance Council. However, the Board considers that both its structure and composition are appropriate given the size of the Company and that the interests of the Company and its shareholders are well met.

Subsequent to the end of the financial year, Mr Peter Harold resigned from the Board. Mr Andre Marschke is considered independent.

Independent Chairman

The Chairman was an independent director for the financial year ended 30 June 2014 and as such Recommendation 2.2 of the Corporate Governance Council has been complied with. Subsequent to the end of the financial year, Mr Andy Viner was appointed Executive Chairman, as such Recommendation 2.2 has not been complied with.

Roles of Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer were exercised by different individuals during the 2014 financial year, and as such the Company complied with Recommendation 2.3 of the Corporate Governance Council. Subsequent to the end of the year both roles have been performed by Andy Viner and as such Recommendation 2.3 has not been complied with.

Nomination Committee

The Board does not have a separate Nomination Committee comprising of a majority of independent Directors and as such does not comply with Recommendation 2.4 of the Corporate Governance Council. The selection and appointment process for Directors is carried out by the full Board. The Board considers that given the importance of Board composition it is appropriate that all members of the Board partake in such decision making.

Evaluation of Board Performance

The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 2.5 of the Corporate Governance Council. The Board is of the opinion that the competitive environment in which the Company operates will effectively provide a measure of the performance of the Directors, in addition the Chairman assesses the performance of the Board, individual directors and key executives on an informal basis. Subsequent to the end of the financial year evaluation of Board performance and Key Executives will be undertaken by the Non-Executive Directors.

Corporate Governance Council Principle 2 continued
Structure the Board to Add Value

Education

All Directors are encouraged to attend professional education courses relevant to their roles.

Independent professional advice and access to information

Each Director has the right to access all relevant information in respect to the Company at the expense of the Company and to make appropriate enquiries of senior management.

The skills, experience and expertise of all Directors is set out in the Directors' details section of the Directors' Report.

Corporate Governance Council Principle 3
Promote Ethical and Responsible Decision Making

The Board actively promotes ethical and responsible decision making.

Code of Conduct

The Board has adopted a Code of Conduct that applies to Directors and Key Executives of the Company and as such complies with Recommendation 3.1 of the Corporate Governance Council. This Code addresses expectations for conduct in accordance with legal requirements and agreed ethical standards.

In addition the Board has adopted an Ethics and Conduct Policy which applies to all employees, consultants and Directors.

The Ethics and Conduct Policy addresses the following:

- Confidential Information;
- Rights of Security holders;
- Privacy;
- Security Trading;
- Communications;
- Conflicts of Interest;
- Responsibility to Suppliers and Customers;
- Laws and Regulations;
- Employment; and
- Adherence to Policies and Procedures.

Diversity Policy

The Board has implemented a Diversity Policy in line with Corporate Governance guidelines. The Group believes that the promotion of diversity on its Board, in senior management and within the organisation generally is good practice and adds to the strength of the Group.

The policy affirms existing employment arrangements which seek to attract and retain people by promoting an environment where employees are treated with fairness and respect and have equal access to opportunities as they arise. Diversity within the workforce includes such factors as religion, race, ethnicity, language, gender, disability and age.

Corporate Governance Council Principle 3 continued

Promote Ethical and Responsible Decision Making

Diversity Policy continued

The Board has adopted a diversity policy that details the purpose of the policy and the employee selection and appointment guidelines, consistent with the recommendations of the Corporate Governance Council. The Board believes that the adoption of an efficient diversity policy has the effect of broadening the employee recruitment pool, supporting employee retention, including different perspectives and is socially and economically responsible governance practice.

The Company employs new employees and promotes current employees on the basis of performance, ability and attitude. The Board is continually reviewing its practices with a focus on ensuring that the selection process at all levels within the organisation is formal and transparent and that the workplace environment is open, fair and tolerant.

The Company, in keeping with the recommendations of the Corporate Governance Council provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2014:

	Proportion of female / total number of persons employed
Females employed in the Company as a whole	1/1
Females employed in the Company in senior positions	1/1
Females appointed as a Director of the Company	0/3

The recommendations of the Corporate Governance Council relating to reporting require a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis. The Company has implemented measurable objectives as follows:

Measurable Objective	Objective Satisfied	Comment
Adoption and promotion of a Formal Diversity Policy	Yes	The Company has adopted a formal diversity policy which has been made publicly available via the Company's website.
To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy	Yes	The Company's selection, remuneration and promotion practices are merit based and as such are consistent with the goals of the Company's Diversity Policy.
To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Yes	The Company will, where considered reasonable, and without prejudice, accommodate requests for flexible working arrangements.
To implement clear and transparent policies governing reward and recognition practices.	Yes	The Company grants reward and promotion based on merit and responsibility as part of its annual and ongoing review processes.
To provide relevant and challenging professional development and training opportunities for all employees.	Yes	The Company seeks to continually encourage self-improvement in all employees, irrespective of seniority, ability or experience, through external and internal training courses, regular staff meetings and relevant on job mentoring.

Corporate Governance Council Principle 3 continued
Promote Ethical and Responsible Decision Making

Diversity Policy continued
The Company has not implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implemented requirements for a proportion of female candidates for employment and Board positions. The Board considers that the setting of quantitative gender based measurable targets is not consistent with the merit and ability based policies currently implemented by the Company.

The Board will consider the future implementation of gender based diversity measurable objectives when more appropriate to the size and nature of the Company's operations.

Security Trading Policy
The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information and as such complies with Recommendation 3.2 of the Corporate Governance Council. Further, in keeping with recent listing Rule Amendments, additional restrictions are placed on trading by relevant persons including directors, key management personnel and employees. It also provides that notification of intended trading should be given to the Chairman prior to trading.

The law prohibits insider trading and the Corporations Act and the ASX Listing Rules require disclosure of any trading undertaken by directors or their related entities in the Company's securities.

Corporate Governance Council Principle 4
Safeguarding Integrity in Financial Reporting

Managing Director and Company Secretary
The Board requires the Managing Director and the Company Secretary to provide a written statement that the Consolidated Financial Statements of Alloy present a true and fair view, in all material aspects, of the financial position and operational results. In addition, confirmation is provided that all relevant accounting standards have been appropriately applied.

Audit Committee
The Company does not have a separately constituted audit committee with a composition as suggested by Recommendations 4.1, 4.2 and 4.3 of the Corporate Governance Council. The Company is not of a size nor are the affairs of a complexity sufficient to warrant the existence of a separate audit committee. The full Board is able to meet objectives of the best practice recommendations and discharge its duties in this area. The relevant experience of Board members is detailed in the Directors' section of the Directors' Report.

External audit recommendations, internal control matters and any other matters arising from the half-year audit review and the annual statutory audit are discussed directly between the Board and the audit engagement partner.

External Auditors
The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. Performance of the external auditor is reviewed annually by the Board. Audit Partner rotation is as required by the Corporations Act 2001. The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Financial Reporting
The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Managing Director who reports to the Board at the scheduled Board Meetings.

Corporate Governance Council Principle 5
Make Timely and Balanced Disclosure

Timely and balanced disclosure
The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the Australian Securities Exchange Listing Rules. The Company has adopted a Continuous Disclosure Policy designed to ensure compliance with the ASX Listing Rule Requirements in accordance with Recommendation 5.1 of the Corporate Governance Council.

Continuous disclosure is discussed at all regular Board meetings and on an ongoing basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

In accordance with ASX Listing Rules the Company Secretary has been appointed as the Company's disclosure officer.

Corporate Governance Council Principle 6
Respect the Rights of Shareholders

Communications
The Board supports practices that provide effective and clear communications with security holders and allow security holder participation at general meetings. A formal Shareholder Communications Policy has been adopted and therefore the Company complies with Recommendation 6.1 of the Corporate Governance Council.

In addition to electronic communication via the ASX website, the Company publishes all significant announcements together with all quarterly reports. These documents are available on the company's website.

Corporate Governance Council Principle 7
Recognise and Manage Risk

Risk management policy
The Board has not adopted a formal risk management policy and therefore does not comply with Recommendation 7.1 of the Corporate Governance Council. However, the Board delegates day-to-day management of risk to the Executive Chairman, Company Secretary and senior executives who are responsible for implementing and maintaining a framework of control and accountability systems to enable risk to be assessed and managed.

Risk management and the internal control system
The Executive Chairman and Company Secretary, with the assistance of senior executives as required, have responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

In order to implement risk management strategies, it was considered important that the Company establish an internal control regime in order to:

- Assist the Company to achieve its strategic objectives;
- Safeguard the assets and interests of the Company and its stakeholders; and
- Ensure the accuracy and integrity of external reporting.

Corporate Governance Council Principle 7 continued

Recognise and Manage Risk

Recognise and Manage Risk
Key identified risks to the business are monitored on an ongoing basis as follows:

- Business risk management
  The Company manages its activities within budgets and operational and strategic plans.
- Internal controls
  The Board has implemented internal control processes typical for the Company's size and stage of development. It requires the senior executives to ensure the proper functioning of internal controls and in addition it obtains advice from the external auditors as considered necessary.
- Financial reporting
  Directors approve an annual budget for the Company and regularly review performance against budget at Board Meetings.
- Operations review
  Members of the Board from time to time visit the Company's exploration project areas, reviewing development activities, geological practices, environmental and safety aspects of operations.
- Environment and safety
  The Company is committed to ensuring that sound environmental management and safety practices are maintained on its exploration activities.

The Company's risk management strategy is evolving and will be an ongoing process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Company's activities.

Risk Reporting
As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

The Company does not have an internal audit function.

Executive Chairman and Chief Financial Officer Written Statement
The Board requires the Executive Chairman and the Company Secretary provide a written statement that the Consolidated Financial Statements of company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporation Act. The Board also requires that the Managing Director and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

The declarations have been received by the Board, in accordance with Recommendation 7.3 of the Corporate Governance Council.

Corporate Governance Council Principle 8

Remunerate Fairly and Responsibly

The Company's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Disclosure of the details of the nature and amount of each element of directors, including Non-Executive directors, and executive's remuneration is included in the Consolidated Financial Statements.

No bonuses and/or incentive payments have been paid and are not anticipated.

Remuneration Committee

The Board does not have a separate Remuneration Committee and as such does not comply with Recommendation 8.1 of the Corporate Governance Council. Due to the early stage of development and small size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the Directors and key executives.

The full Board determines all compensation arrangements for Directors. It is also responsible for setting performance criteria, performance monitors, share option schemes, incentive performance schemes, superannuation entitlements, retirement and termination entitlements and professional indemnity and liability insurance cover.

The Board ensures that all matters of remuneration will continue to be in accordance with Corporations Act requirements, by ensuring that none of the Directors participates in any deliberations regarding their own remuneration or related issues.

Distinguish Between Executive and Non-Executive Remuneration

The Company does distinguish between the remuneration policies of its Executive and Non-Executive Directors in accordance with Recommendation 8.2 of the Corporate Governance Council.

Executive Directors receive salary packages which may include performance based components, designed to reward and motivate, including the granting of share options, subject to shareholder approval.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings.

Directors' Report

The Directors present their report on Alloy Resources Limited and the entities it controlled at the end of, or during the year ended 30 June 2014 and the auditor's report thereon.

Directors

The names and details of the Directors of Alloy Resources Limited during the financial year and until the date of this report are:

Andrew Viner – Executive Chairman

Appointed a Director on 21 June 2011, Appointed Executive Chairman 1 July 2014

Andy is a geologist with 28 years technical, managerial and corporate experience in mineral exploration and development. During his career he has generated and managed projects for a number of commodities, with a particular focus on precious metals, in Australia, Asia and South America. Andy was founding Managing Director of Jackson Gold Limited from 2002 to 2007 and Executive Director of Matsa Resources Limited from 2008 to 2010. He is a member of the Australian Institute of Mining and Metallurgy and the Institute of Company Directors.

Kevin Hart – Non-Executive Director and Company Secretary

Appointed a Director on 2 June 2004

Kevin holds a Bachelor of Commerce Degree and is a Chartered Accountant. He is a Partner at Endeavour Corporate Pty Ltd, an advisory firm that specialises in the provision of Company Secretarial services to ASX listed entities. Kevin has over 26 years of professional experience with various public companies, mostly in the exploration and mining industry. Kevin is also a former director of Gold Road Resources Limited from May 2007 to June 2013.

Andre Marschke – Non-Executive Director

Appointed a Director on 7 January 2014

Andre has 15 years' experience in financial markets. He was formerly a Stockbroker with Smith Barney Citigroup, Hartleys and Pembroke Josephson and Wright and then became a joint founder of Scintilla Capital Pty Ltd a boutique investment advisory business based in Queensland. He holds a Bachelor of Economics degree from the University of Queensland, a Graduate Diploma in Applied Finance and a Graduate Diploma in Technical Analysis from the Securities Institute of Australia.

Former Director

Peter Harold – Non-Executive Chairman – resigned 30 June 2014

Appointed Chairman on 15 September 2005

Peter Harold holds a Bachelor of Applied Science (Chemistry) from the University of Melbourne and is currently the Managing Director of Panoramic Resources Limited, the ASX listed Western Australian nickel producer. He is also a Non-Executive director of TUC Resources Limited (appointed 1 March 2007). Peter is a process engineer with over 18 years corporate experience in the minerals industry. Peter started his career with Shell Australia in the commercial division before moving to Perth to work for Australian Consolidated Minerals Ltd in metals marketing. Since then he has worked for a number of gold and base metal miners in various senior management roles specialising in operations, marketing, treasury and finance, business and project development and corporate management. He has developed a strong network in the mining industry and has excellent contacts within the resource banking and stockbroking fraternity in Australia, Asia, Europe and North America. Peter was also appointed as Non-Executive Director of Pacifico Minerals Limited on 19 August 2013.

Directors' Interests

As at the date of this report the Directors' interests in shares and options of the Company are as follows:

Director	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options (Vested)	Directors' Interests in Share Rights (Not Vested)
Andrew Viner	19,462,241	8,500,000[i]	1,166,667[ii]
Kevin Hart	8,010,416	2,000,000[iii]	–
Andre Marschke	21,300,000	2,000,000[iv]	–

(i) 3,500,000 unlisted options are exercisable by payment of 4.5 cents each on or before 30 August 2015. 5,000,000 unlisted options are exercisable by payment of 1.5 cents each on or before 30 November 2016.

(ii) The Share Rights vest equally over 3 years and have an expiry date of 21 June 2015.

(iii) The unlisted options are exercisable by payment of 1.5 cents each on or before 30 November 2016.

(iv) The unlisted options are exercisable by payment of 1.2 cents each on or before 30 September 2014.

Directors' Meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2014 and the number of meetings attended by each Director was:

	Board of Directors' Meetings	
Director	Held	Attended
Peter Harold**	8	8
Andrew Viner	8	8
Kevin Hart	8	8
Andre Marschke*	2	2

* Appointed 7 January 2014

** Resigned 30 June 2014

Principal Activities

The principal activities of the Group during the financial year consisted of mineral exploration and investment.
There were no significant changes in these activities during the financial year.

Results of Operations

The consolidated net loss after income tax for the financial year is $488,608 (2013: $1,029,217). Included in the loss is an amount of $61,199 (2013: $557,822) being exploration costs written off.

Dividends

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year.

Review of Activities

Exploration activities for the financial year were focussed on the Company's Horse Well Gold project located in the Warburton mineral field of Western Australia, approximately 85 kilometres north-east of the town of Wiluna. Other Projects were critically assessed and either farmed-out or relinquished. A significant effort was directed to assessing new opportunities for Project acquisition.

Horse Well Gold Project

The majority of the Company's focus has been on exploration at this project with the aim of expanding mineral resources through testing of strike extensions to known mineralised trends and discovery of new mineralised areas.

In May 2014 the Company entered into a Farm-out agreement with Doray Minerals Limited which secured project funding during a time of difficult unsupportive financial markets for the minerals industry. Key terms are;

1. $100k cash payment to Alloy at Commencement
2. Doray to spend $2M within 2 years to earn 60%
   - $900k non-withdrawal expenditure within the first 12 months after Commencement.
   - Alloy to manage initial agreed field exploration programme.
3. JV to spend a further $2M within 3 years of Commencement.
   - Alloy at this time can elect to contribute pro rata (at 40%) to this $2M or dilute to 20% and be free carried through to completion of a Pre-Feasibility Study (PFS).
4. Alloy to contribute from PFS and beyond (i.e. Decision To Mine [DTM] and operational JV) or reduce to a 1% Net Smelter Royalty [NSR] using an industry standard dilution formula.

Project highlights during the financial year include:

- Following encouraging single RC drill holes at both the Crack of Dawn and Dusk til Dawn prospects in July 2013 which both defined highly anomalous gold mineralisation, an additional 9 RC holes were completed at the Dusk til Dawn prospect. A strong gold mineralised zone of uncertain orientation was defined associated with the granite margin, including 32 metres @ 1.96 g/t Au. (Refer ASX release 15 October 2013)
- A review of the mineralogy of the Dusk til Dawn gold mineralisation and surrounding stratigraphy has indicated that mineralisation is associated with a shear zone focussed on the granite contact and the extensive pyrite is part of this system. In addition the observed magnetite is regarded as stratigraphic Banded Iron Formation and this magnetite is partially replaced by pyrite in mineralised zones. The mineralisation appears to be similar to that at the Granny Smith Gold Mine located in the Laverton area of W.A. (refer ASX release 17 January 2014)
- Historical drilling shows that this alteration is widespread, particularly at the margins of the intrusive granite. The area, extending over 30 square kilometres when combined with aeromagnetic targets, offers a very exciting new gold target for the Company.

Doray Minerals have commenced a planned and permitted exploration program to test these targets. This program also received a WA Government Exploration Incentive Scheme grant of $150,000.

- RC drilling has defined the Warmblood gold zone, located at the southern end of the Company's Mineral Resources. No additional work has been completed on this area.

Review of Activities continued

- The Warmblood South area extending for over 10 kilometres strike, has extensive mapped sericite-pyrite alteration and 3 low-level gold and multi-element soil anomalies. Infill soil sampling has confirmed these anomalies and air-core drilling is now required to test for gold mineralisation at depth.
- Over 700 square kilometres of the Project has not been adequately explored and requires systematic exploration. During the year a program of regional bottom of hole drill chip sampling was completed and samples analysed for lithological and alteration trends. This work has indicated a number of potentially mineralised areas that need further systematic exploration.

Barrytown Project

Pacific Mineral Resources (PMRL), are continuing to earn an 80% interest by completing a pre-feasibility study within 2 years. PMRL has continued to actively pursue land access agreements with partial success, and has completed a small drill program in August 2013 to confirm heavy mineral concentration percentages of all minerals and complete initial metallurgical test work. A scoping study has been completed which continues to indicate that the mineral sand mining concept is financially attractive. In March 2014 the Company entered into a conditional Sale Agreement with PMRL for 100% ownership for an amount of $350,000 of which a $50,000 non-refundable amount has been received, which has since been extended to settlement prior to 30 November 2014.

Cootamundra Project

The Company relinquished its exploration licence in the September quarter of 2013.

Project Generation

During the year, the Company actively reviewed a number of Australian and International opportunities for new projects. The principal aim has been to rationalise the Company's project portfolio to focus on high-value low operating cost opportunities in gold or copper-gold.

Financial Position

At the end of the financial year the Group had $433,157 (2013: $324,706) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure was $4,395,725 (2013: $3,737,186).

Expenditure on exploration and acquisition of tenements during the year was $819,738 (2013: $844,566).

Impact of Legislation and other External Requirements

There has been no impact on the Group as a result of new legislation or other external requirements.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year except for the following:

On 28 March 2014, the Company announced that it had entered into a Conditional Sale Agreement with Farm-in partner Pacific Minerals Resources Limited ("Pacific") to sell all of its interest in the Barrytown Mineral Sands Project which is located on the west coast of the south island of New Zealand for an amount of $375,000.

On 23 May 2014 the Company announced that it had entered into a $4 million farm-in agreement with Doray Minerals Limited for the Horsewell Gold Project.

Options over Unissued Capital

As at the date of this report unissued ordinary shares of the Company under option are:

Number of Options Granted	Exercise Price	Expiry Date
3,500,000 [i]	4.5 cents	30 August 2015
9,000,000 [ii]	1.5 cents	30 November 2016
2,000,000 [iii]	1.2 cents	30 September 2014

(i) The unlisted directors' options are fully vested and exercisable by payment of 4.5 cents on or before 30 August 2015.

(ii) The unlisted directors' options are fully vested and exercisable by payment of 1.5 cents on or before 30 November 2016.

(iii) The unlisted options are fully vested and exercisable by payment of 1.2 cents on or before 30 September 2014.

The outstanding balance of share rights at the date of this report are as follows:

- 3,500,000 performance share rights were issued to Mr Andrew Viner on 12 September 2011 in accordance with shareholder approval at a meeting held on 9 September 2011. During the year, 1,166,667 performance share rights were exercised. As at the date of this report, the balance of the performance share rights is 1,166,666.
- The performance share rights vested equally over three years from the commencement date of Mr Viner's employment as Managing Director, and expire four years from the commencement date being 21 June 2015.
- Mr Viner must be an executive director at each vesting date for the performance rights to vest and become exercisable.

These options and share rights do not entitle the holder to participate in any share issue of the Company or any other body corporate. The holders of share rights or options are not entitled to any voting rights until the share rights or options are converted into ordinary shares.

Matters Subsequent to the End of the Financial Year

On 2 September 2014, the Company exercised an option with Phosphate Australia Limited, to acquire 80% of license EL69/2820 which forms an important part of the Crack of Dawn area within the Northern part of the Horsewell Project. Settlement of the Option was completed though a $25,000 cash consideration and $25,000 in Alloy Resources shares, being 3,125,000 shares at an issue price of $0.008. The Company's Joint Venture partner, Doray Minerals Limited agreed to pay the cash consideration as part of its earn-in expenditure.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the Group are included elsewhere in the Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors to do so would be likely to prejudice the business activities of the Group and is dependent upon the results of the future exploration and evaluation.

Environmental Regulation and Performance

The Group holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

As far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

Remuneration Report (audited)

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

(a) Details of key management personnel
(b) Principles used to determine the nature and amount of remuneration
(c) Details of remuneration
(d) Service agreements
(e) Share-based compensation
(f) Option holdings of key management personnel
(g) Shareholdings of key management personnel
(h) Loans made to key management personnel
(i) Other transactions with key management personnel and their related entities.
(j) Company Performance

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group.

(a) Details of Key Management Personnel

Directors

Andrew Viner	Managing Director, (Appointed Executive Chairman 1 July 2014)
Kevin Hart	Non-Executive Director and Company Secretary
Andre Marschke	Non-Executive Director (Appointed 7 January 2014)
Peter Harold	Non-Executive Chairman (Resigned 30 June 2014)

(b) Principles used to determine the nature and amount of remuneration

The key principles include:

- Competiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives.

Non-Executive Directors

Non-Executive directors' fees not exceeding an aggregate of $150,000 per annum were approved by the shareholders at the Annual General Meeting held on 27 November 2007.

Executive Pay

The combination of the following comprises the executive's total remuneration:

- Base pay and benefits, including superannuation,
- Short term performance incentives, and
- Long term incentives through participation in the Alloy Resources Ltd Incentive Option Scheme and Performance Rights Plan.

Remuneration Report (audited) continued

(b) Principles used to determine the nature and amount of remuneration continued

Base pay
Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

Benefits
Executives can salary sacrifice certain benefits including motor vehicle.

Superannuation
Retirement benefits are paid to complying superannuation funds nominated by the executives. During the period ended 30 June 2014 the Company contribution rate was 9.25% of ordinary time earnings.

Short term incentives
The Board has not established any ongoing short term incentives apart from:

- The Managing Director's service agreement includes a performance based component. Upon meeting certain key performance criteria set by the Chairman and the Board, the Managing Director can earn up to 30% of his base salary as a short term cash incentive.

Long-term incentives
Long term incentives are provided via the Alloy Resources Limited Incentive Option Scheme and Performance Rights Plan.

The plans were approved by shareholders at the Annual General Meeting held on 28 November 2013.

Remuneration Report (audited) continued

(c) Details of remuneration

Details of the nature and amount of each element of the emoluments of each key management personnel of the Company and the consolidated entity for the year ended 30 June 2014 and 2013 are set out in the following tables:

2014	Short-term		Post Employment	Share-based payment	Total	Performance Related	Value of options/ rights as proportion of remuneration
Directors	Fees and Salaries $	Non-monetary Benefits $	Super-annuation Contributions $	Rights/ Options $	$	%	%
Peter Harold [(1)]	28,000	–	–	11,308	39,308	–	28.8
Andrew Viner	201,835	–	18,670	43,293	263,798	–	16.4
Kevin Hart	28,000	–	–	11,308	39,308	–	28.7
Andre Marschke [(2)]	12,443	–	1,151	–	13,594	–	–
TOTAL	270,278	–	19,821	65,909	356,008	–	18.5

(1) Resigned 30 June 2014

(2) Appointed 7 January 2014

No short term incentive payments were paid or payable to Mr Andrew Viner under his service agreement during the period.

2013	Short-term		Post Employment	Share-based payment	Total	Performance Related	Value of options/ rights as proportion of remuneration
Directors	Fees and Salaries $	Non-monetary Benefits $	Super-annuation Contributions $	Rights/ Options $	$	%	%
Peter Harold	30,917	–	–	–	30,917	–	–
Andrew Viner	222,859	–	20,057	35,879	278,795	–	12.8
Kevin Hart	30,917	–	–	–	30,917	–	–
TOTAL	284,693	–	20,057	35,879	340,629		10.5

Remuneration Report (audited) continued

(d) Service agreements

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement. The agreement provides for the provision of performance-related cash bonuses and participation, when eligible, in the Alloy Resources Ltd Incentive Option Scheme ('Scheme') and Performance Rights Plan ('Plan'). Other major provisions of the agreements relating to remuneration are set out below:

The contract may be terminated early by either party with notice as set out in the service agreement, subject to termination payments as detailed below.

Andrew Viner, Managing Director (Appointed Executive Chairman 1 July 2014)

- Term of agreement – no fixed term, commenced 21 June 2011.
- Termination notice – 6 months' notice.
- Base salary inclusive of superannuation of $220,000 to be reviewed annually.
- Short term incentives up to 30% of base salary at the discretion of the Board.
- The issue of 3.5 million share options at a 50% premium to the closing share price on the date of issue, 4 year term and vesting on issue. The issue was approved by shareholders at a General Meeting held on 9 September 2011 and is subject to the terms of the Company's Employee Option Plan.
- The issue of 3.5 million performance rights vesting equally over a 3 year period from his commencement date was approved by shareholders at a General Meeting held on 9 September 2011 and is subject to terms of the Company's Performance Rights Plan.

(e) Share-based compensation

Options and Performance Rights

Options over shares in Alloy Resources Ltd are granted under the Alloy Resources Ltd Incentive Option Scheme and the Alloy Resources Ltd Performance Rights Plan which were approved by shareholders at an Annual General Meeting of shareholders of the Company held on 28 November 2013.

The Option Scheme and the Performance Rights Plan is designed to provide long term incentives for executives to deliver long term shareholder returns, and participation in the future growth of the Company. Under the Scheme participants are granted options which typically vest on issue with a strike price as determined at the discretion of the Board. The Scheme allows the Company to issue free options to an eligible person. The options are exercisable at a fixed price in accordance with the Plan. The options of any participant in the scheme lapse where the relevant person ceases to be an employee or director of, or vendor services to the Company.

Performance rights to be issued under the Plan have varying vesting periods as determined by the Board at the date of grant except under certain circumstances whereby performance rights may be capable of exercise prior to the expiry of the vesting period. Participation in the Scheme is at the Board's discretion and no individual has a contractual right to participate in the Scheme or to receive any guaranteed benefits.

Remuneration Report (audited) continued

(e) Share-based compensation continued

The terms and conditions of each grant of options and performance rights affecting remuneration in the previous, this or future reporting periods are as follows:

Directors	Number of options granted	Grant date	Fair value per option at grant date $	Exercise price per option $	Expiry date	Vesting date
Andrew Viner	3,500,000	9 Sep 2011	0.0156	0.045	30 Aug 2015	9 Sep 2011
Andrew Viner	5,000,000	29 Nov 2013	0.0057	0.015	30 Nov 2016	29 Nov 2013
Peter Harold	2,000,000	29 Nov 2013	0.0057	0.015	30 Nov 2016	29 Nov 2013
Kevin Hart	2,000,000	29 Nov 2013	0.0057	0.015	30 Nov 2016	29 Nov 2013

The following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
3,500,000 Unlisted Options							
9 Sep 2011	4 Years	$0.016	$0.045	$0.030	80%	3.72%	0%
9,000,000 Unlisted Options							
29 Nov 2013	3 Years	$0.0057	$0.015	$0.007	170.15%	3.03%	0%

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date.

Fair values at grant date are independently determined using a 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.

Performance Rights

Grant date	Number	Exercise Price	Vesting conditions	Expiry date
9 September 2011	3,500,000	Nil	Equally over 3 years	21 June 2015

No options or performance rights have been granted since the end of the financial year.

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person is detailed below:

	Granted in the year $	Value of options exercised in the year $	Lapsed in the year $
Andrew Viner	28,250	–	–
Peter Harold[(1)]	11,300	–	(11,300)
Kevin Hart	11,300	–	–

(1) Options cancelled on resignation

Remuneration Report (audited) continued

(e) Share-based compensation continued

The value of options that lapsed during the year represents the benefits forgone and is calculated using the Black Scholes option-pricing model at the grant date.

Given the Company is involved in mineral exploration and Company performance is in part measured by exploration success, the share-based compensation of the persons referred to above is not dependent on the satisfaction of individual performance conditions.

There is no policy in place for the KMP's to limit their exposure to risk in relation to the shares and share options granted as part of their remuneration.

Exercise of options granted as compensation

During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

Analysis of options and rights over equity instruments granted as compensation

Details of vesting profile of the options granted as remuneration to each key management person of the Group are detailed below.

Directors	Options granted Number	Date	Financial years in which grant vested	% forfeited in 2014	% vested in 2014
Andrew Viner	3,500,000	9 Sep 2011	2012	–	100
Andrew Viner	5,000,000	29 Nov 2013	2014	–	100
Peter Harold	2,000,000	29 Nov 2013	2014	100	–
Kevin Hart	2,000,000	29 Nov 2013	2014	–	100

(f) Option holdings of key management personnel

The numbers of options over ordinary shares in the Company held during the financial year by each director of the Company and other key management personnel of the Group are set out below:

2014 Directors	Balance at start of the year	Granted during the year as compensation	Exercised during the year	Expired unexercised	Balance at the end of the year	Vested and exercisable at the end of the year
Peter Harold	–	2,000,000	–	(2,000,000)	–	–
Andrew Viner	3,500,000	5,000,000	–	–	8,500,000	8,500,000
Kevin Hart	–	2,000,000	–	–	2,000,000	2,000,000
Andre Marschke	2,000,000[i]	–	–	–	2,000,000	2,000,000

(i) Represent options and shares held as at date of appointment as director.

2013 Directors	Balance at start of the year	Granted during the year as compensation	Exercised during the year	Expired unexercised	Balance at the end of the year	Vested and exercisable at the end of the year
Peter Harold	1,000,000	–	–	(1,000,000)	–	–
Andrew Viner	3,500,000	–	–	–	3,500,000	3,500,000
Kevin Hart	1,000,000	–	–	(1,000,000)	–	–

Remuneration Report (audited) continued

(g) Share holdings of key management personnel

The number of shares in the Company held during the financial year by each director of the Company and other key management personnel of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as remuneration.

2014 Directors	Balance at start of the year	Received during the year on exercise of rights	Other changes during the year	Balance at the end of the year
Peter Harold	2,066,666	–	516,666 [1]	2,583,332
Andrew Viner	10,636,460	1,166,667	7,659,114 [2]	19,462,241
Kevin Hart	3,408,333	–	4,602,083 [3]	8,010,416
Andre Marschke	21,300,000[(i)]	–	–	21,300,000

(i) Represent options and shares in which the Director had a relevant interest as at date of appointment as director.

1 Participated in non-renounceable entitlement issue.

2 Participated in non-renounceable entitlement issue, share purchase plan and on market purchases.

3 Participated in non-renounceable entitlement issue, and share purchase plan.

2013 Directors	Balance at start of the year	Received during the year on exercise of rights	Other changes during the year	Balance at the end of the year
Peter Harold	1,550,000	–	516,666 [1]	2,066,666
Andrew Viner	5,286,500	1,166,667	4,183,293 [2]	10,636,460
Kevin Hart	2,537,500	–	870,833 [1]	3,408,333

1 Participated in non-renounceable Entitlement Issue.

2 Participated in non-renounceable Entitlement Issue and on market purchases.

(h) Loans made to key management personnel

No loans were made to a director of Alloy Resources Limited or any other key management personnel, including personally related entities during the reporting period.

(i) Other transactions with key management personnel and their related parties

Some Directors and Executives hold positions within other entities which cause them to have control or exert significant influence over the financial or operating policies of those entities.

The following entities transacted with the Company during the reporting period. In each instance normal commercial terms and conditions applied. Terms and conditions were not more favourable than those available, or which might reasonably be expected to be available, for a similar transaction to unrelated parties on an arms-length basis.

Mr. Kevin Hart has an interest as a partner in a Chartered Accounting firm; Endeavour Corporate. This firm provides company secretarial and accounting services and office accommodation to the Company in the ordinary course of business. The value of the transactions in the financial year ending 30 June 2014 amount to $104,383 (2013: $108,446). The amount owing to Endeavour Corporate at 30 June was $13,761 (2013: $10,241).

Remuneration Report (audited) continued

(j) Company performance

The table below shows the performance of the Company as measured by share price and change in market capitalisation.

	30 June 2014 $	2013 $	2012 $	2011 $
Share price	0.006	0.003	0.01	0.039
Market capitalisation	2,640,032	821,013	1,860,449	5,695,749
Loss for the year	(484,608)	(1,029,217)	(678,512)	(405,562)

THIS IS THE END OF THE REMUNERATION REPORT

Officer's Indemnities and Insurance

During the year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company.

Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance for an auditor of the Company.

Corporate Governance

In recognising the need for high standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance to the extent they are applicable to the company given its size and scale of operations. The Company's corporate governance statement is contained in the annual report.

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under Section 307C of the Corporations Act is set out on page 35 and forms part of the director's report for the financial year ended 30 June 2014.

This report is made in accordance with a resolution of the Directors.

DATED at Perth this 26th day of September 2014.

Andrew Viner
Executive Chairman

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Alloy Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

David Sinclair
Partner

Perth

26 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2014

	Note	30 June 2014 $	30 June 2013 $
Other income	4	75,000	7,474
Non-Executive Directors Fees		(68,443)	(58,917)
Depreciation and amortisation	5	(1,018)	(4,410)
Occupancy expenses	5	(29,444)	(29,202)
Accounting and administrative expenses		(189,221)	(235,558)
Employee expenses		(118,566)	(94,093)
Insurance expenses		(14,609)	(20,100)
Share based payments	16	(65,909)	(35,879)
Other expenses		(30,087)	(16,115)
Exploration costs written off	11	(61,199)	(557,822)
Results from operating activities		(503,496)	(1,055,624)
Finance and other income	4	14,888	18,933
Loss before income tax		(488,608)	(1,029,217)
Income tax expense	6	–	–
Loss for the period		(488,608)	(1,029,217)
Other comprehensive income for the year		–	–
Total comprehensive loss for the year		(488,608)	(1,029,217)
		Cents	Cents
Earnings/(loss) per share:			
Basic earnings/(loss) per share	27	(0.12)	(0.42)
Diluted earnings/(loss) per share	27	(0.12)	(0.42)

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

Consolidated Statement of Financial Position

As at 30 June 2014

	Note	30 June 2014 $	30 June 2013 $
Current assets			
Cash and cash equivalents	7	433,157	324,706
Trade and other receivables	8	1,494	6,896
Other current assets	9	10,442	24,632
Total current assets		445,093	356,234
Non-current assets			
Other financial assets – security deposit		–	10,000
Property, plant and equipment	10	889	1,907
Capitalised mineral exploration and evaluation expenditure	11	4,395,725	3,737,186
Total non-current assets		4,396,614	3,749,093
Total assets		4,841,707	4,105,327
Current liabilities			
Trade and other payables	12	80,431	88,020
Provisions	13	37,106	–
Total current liabilities		117,537	88,020
Total liabilities		117,537	88,020
Net assets		4,724,170	4,017,307
Equity			
Issued capital	15	14,011,896	12,853,611
Accumulated losses		(9,432,170)	(8,943,562)
Reserves		144,444	107,258
Total equity		4,724,170	4,017,307

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2014

	Share Capital $	Accumulated losses $	Equity Remuneration Reserve $	Total $
Balance as at 1 July 2013	12,853,611	(8,943,562)	107,258	4,017,307
Loss for the period	–	(488,608)	–	(488,608)
Other comprehensive loss for the period	–	–	–	–
Total comprehensive loss for the period	–	(488,608)	–	(488,608)
Transactions with equity holders in their capacity as equity holders:				
Issue of shares for cash	1,144,142	–	–	1,144,142
Issue of shares for services rendered	50,000	–	–	50,000
Transaction costs of shares issued	(70,857)	–	–	(70,857)
Movement in equity remuneration reserve	–	–	72,186	72,186
Exercise of rights	35,000	–	(35,000)	–
Balance at 30 June 2014	14,011,896	(9,432,170)	144,444	4,724,170

	Share Capital $	Accumulated losses $	Equity Remuneration Reserve $	Total $
Balance as at 1 July 2012	11,998,311	(8,196,721)	388,755	4,190,345
Loss for the period	–	(1,029,217)	–	(1,029,217)
Other comprehensive loss for the period	–	–	–	–
Total comprehensive loss for the period	–	(1,029,217)	–	(1,029,217)
Transactions with equity holders in their capacity as equity holders:				
Issue of shares for cash	790,149	–	–	790,149
Shares issued for service	50,000	–	–	50,000
Transaction costs of shares issued	(19,849)	–	–	(19,849)
Movement in equity remuneration reserve	–	282,376	(281,497)	879
Exercise of rights	35,000	–	–	35,000
Balance at 30 June 2013	12,853,611	(8,943,562)	107,258	4,017,307

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2014

	Note	30 June 2014 $	30 June 2013 $
Cash flows from operating activities			
Interest received		14,888	18,933
Payments to suppliers and employees		(417,775)	(438,342)
Net cash (used in) operating activities	26	(402,887)	(419,409)
Cash flows from investing activities			
Payments for exploration expenditure		(753,223)	(770,834)
Proceeds from sale of project		75,000	–
Proceeds from Horsewell farm-in		100,000	–
Bonds returned		10,000	–
Net cash (used in) investing activities		(568,223)	(770,834)
Cash flows from financing activities			
Proceeds from issue of shares		1,144,142	790,149
Payments for transaction costs on issue of shares		(64,580)	(19,849)
Net cash from financing activities		1,079,562	770,300
Net (decrease) in cash held		108,451	(419,943)
Cash and cash equivalents at 1 July		324,706	744,649
Cash and cash equivalents at 30 June	7(a)	433,157	324,706

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

Note 1 Summary of significant accounting policies

Alloy Resources Ltd is domiciled in Australia. The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Consolidated Financial Statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The financial report was authorised for issue by the directors on 26th September 2014.

(a) Basis of preparation

Statement of Compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

Going Concern

The directors have prepared the financial statements on a going concern basis which contemplates the realisation of assets and the payment of liabilities in the normal course of business. The Group has no debt obligations. The Group has a working capital surplus of $335,556 and had net cash inflows of $108,451 (including net proceeds of share issues of $1,079,562). The Group incurred a loss for the year of $488,608.

On 23 May 2014 the Company announced that it had entered into a $4 million farm-in agreement with Doray Minerals Limited for the Horsewell Gold Project. Under the terms of the Farm-in agreement Doray can spend up to $2 million within 2 years to earn a 60% interest in the project with a minimum $900,000 non-withdrawal commitment.

The Company has also entered into an agreement to sell 100% of its interest in the Barrytown Mineral Sands project for an amount of $300,000. Settlement has been extended to 30 November 2014.

The directors have reviewed the Group's financial position and forecast cash flows and reasonably expect that the Group will be able to raise additional funds as required to meet future costs associated with its operating and exploration activities for at least the next 12 months. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

Should the Group not be successful in obtaining adequate funding or cash inflows are not as planned, there is material uncertainty as to the ability of the Group to continue as a going concern and to realise and extinguish its liabilities in the ordinary course of business.

Historical cost convention

These Consolidated Financial Statements have been prepared under the historical cost convention.

Functional and presentation currency

These Consolidated Financial Statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

Critical accounting estimates

The preparation of Consolidated Financial Statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 2.

Note 1 Summary of significant accounting policies continued

(b) Principles of consolidation

(i) Business combinations
All business combinations are accounted for by applying the acquisition method.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill
The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Share-based payment awards
When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

Contingent liabilities
A contingent liability of the acquiree is recognised in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest
The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs
Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(ii) Subsidiary companies
The Consolidated Financial Statements of the subsidiary companies are included in the Consolidated Financial Statements from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the Consolidated Financial Statements.

(iii) Transactions Eliminated on Consolidation
Inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Note 1 Summary of significant accounting policies continued

(c) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Board of directors ("the Board"), who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and exploration and evaluation assets.

The Group operates in one segment, identifying, evaluating and exploring for resources.

(d) Revenue recognition and receivables

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances and amounts collectable on behalf of third parties.

Interest income
Interest income is recognised on a time proportion basis and is recognised as it accrues.

Farm-in income
Farm-in income is measured based on consideration received. Income is recognised when the performance obligations have been satisfied under the agreement.

(e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary timing differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to those timing differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity or other comprehensive income are also recognised directly in equity or other comprehensive income.

Note 1 Summary of significant accounting policies continued

(f) Impairment of tangible and intangible assets other than goodwill

The Group assesses at each balance date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimate used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to a llocate the assets revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(g) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or Group of financial assets is impaired.

Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Group of financial assets with similar credit risk characteristics and that Group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

Note 1 Summary of significant accounting policies continued

(h) Cash and cash equivalents

For cash flow statement presentation purposes, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(i) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

(j) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of comprehensive income during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight line and written down value methods to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Office equipment and fittings	12.5 – 33% written down value
Motor vehicles	25% written down value
Site equipment	25% written down value

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(f)).

(k) Mineral exploration and evaluation expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

Note 1 Summary of significant accounting policies continued

(k) Mineral exploration and evaluation expenditure continued

Exploration and evaluation assets are assessed for impairment when:

a. sufficient data exists to determine technical feasibility and commercial viability; and

b. facts and circumstances suggests that the carrying amount exceeds the recoverable amount. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generated units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.

(m) Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables 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.

Share based payments

Share based compensation payments are made available to directors and employees pursuant to the Company's Incentive Option Scheme and Performance Rights Plan.

The fair value of these equity settled transactions is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the award.

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of:

i. The grant date fair value of the award;

ii. The current best estimate of the number of options or rights that will vest, taking into account such factors as the likelihood of market vesting conditions during the vesting period and the likelihood of non-market performance conditions being met; and

iii. The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

The fair value at grant date is independently determined using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option or rights, the share price at grant date, expected price volatility of the underlying share and the risk free rate for the term of the option or rights.

Note 1 Summary of significant accounting policies continued

(m) Employee benefits continued

The fair value of the award granted is adjusted to reflect market vesting conditions. Non-market vesting conditions are included in assumptions about the number of awards that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of awards that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

(n) 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.

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the company, 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 year.

(ii) Diluted earnings per share

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(p) Goods and service tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as a 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 taxation authority is included with other receivables or payables in the Consolidated 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 taxation authority, are presented as operating cash flow.

(q) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less any allowance for any uncollectible amounts. An allowance for a doubtful debt is made when there is objective evidence that the Company will not be able to collect the debt. Bad debts are written off when identified.

Note 1 Summary of significant accounting policies continued

(r) Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(s) Jointly controlled operations and assets

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its Consolidated Financial Statements the assets it controls, the liabilities that it incurs, the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

(t) New Accounting Standards for Application in Future Periods

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the group's operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no changes are necessary to Group accounting policies.

Note 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

Recoverability of mineral exploration and evaluation expenditure
The Group's accounting policy is stated at 1(k). The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying mineral exploration properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. Should an indicator of impairment exist, there is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgement that are considered in this review include: (i) recent drilling results and reserves and resource estimates (ii) environmental estimates that may impact the underlying tenements (iii) the estimated market value of assets at the review date (iv) independent valuations of underlying assets that may be available (v) fundamental economic factors such as commodity prices, exchange rates, discount rates, and current and anticipated operating costs in the industry (vi) the Group's market capitalisation compared to its net assets.

Refer Note 11 for details of carrying amounts, estimates and assumptions used.

Measurement of share-based payments
The Group's accounting policy is stated at 1(m). The fair value of options granted is measured using a valuation model taking into account the share price at the grant date, exercise price, expected option life and the expected volatility of the share price traded on the ASX.

Refer Note 16 for details of carrying amounts, estimates and assumptions used.

Note 3 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed by the Board in assessing performance and determining the appropriate allocation of the Group's resources. The Group also has had regard to the qualitative thresholds for the determination of operating segments.

For management purposes the Group is organised into one operating segment, which involves mineral exploration and development in Australia and New Zealand. The Group's principle activities are interrelated and the Group has no revenue from operations.

All significant operating decisions are based upon analysis of the Company as one segment. The financial results of this segment are equivalent to the financial statements of the Company as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of the financial statements.

	2014 $	2013 $
Note 4 Finance and other income		
Finance income		
Interest received	14,888	18,933
Other income		
Proceeds from sale of prospects	75,000	–
Sundry income	–	7,474
	75,000	7,474

Note 5 Loss for the year

	2014 $	2013 $
Loss before income tax includes the following specific expenses:		
Depreciation:		
Computer Software	–	3,391
Office Equipment	1,018	1,019
Total depreciation	1,018	4,410
Occupancy expenses	29,444	28,202
Contributions to defined contribution superannuation funds	8,352	24,883

Note 6 Income tax

		2014 $	2013 $
(a) Reconciliation of income tax expense/(benefit) to prima facie tax payable			
Loss from continuing operations before income tax expense/(benefit)		(488,608)	(1,029,217)
Tax at the Australian rate of 30% (2013: 30%)		(146,582)	(308,765)
Tax effect of permanent differences:			
Non-deductible share based payment		19,773	10,764
Exploration costs		(29,303)	(86,023)
Capital raising costs		(12,156)	(7,904)
Other		17,904	16,451
Deferred tax assets not brought to account		150,364	375,477
Income tax expense		–	–
(b) Deferred tax – Consolidated Statement of Financial Position			
Deferred Tax Liabilities			
Prepayments		(3,132)	(4,243)
Capitalised Exploration and Evaluation expenditure		(1,318,717)	(1,121,156)
		(1,321,850)	(1,125,399)
Less: Deferred Tax Assets			
Accrued expenses		7,770	4,050
Employees entitlement		11,132	4,250
Deductible equity raising costs		34,867	17,861
Tax losses available to offset against future taxable income	(a)	1,268,081	1,117,099
		1,321,850	1,125,399
Net Deferred Tax Balance		–	–

(a) Tax losses

The balance of potential deferred tax assets of $4,432,055 (2013: $4,139,594) attributable to tax losses carried forward in respect of the Group has not been brought to account because the directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. Tax loss availability is dependent on the company deriving future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realised; the Company continuing to comply with the conditions for deductibility imposed by tax legislation and no changes in tax legislation adversely affecting the Company.

All unused tax losses were incurred by Australian entities.

	2014 $	2013 $
Note 7 Current assets – Cash and cash equivalents		
Cash at bank and in hand	433,157	324,706
	433,157	324,706

(a) Reconciliation to cash at the end of the year
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

	2014 $	2013 $
Balances as above and per Cash flow statement	433,157	324,706

(b) Cash at bank
Cash balances earn interest at 1.14% p.a. (2013: 3.19% p.a.).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 16.

Note 8 Trade and other receivables

	2014 $	2013 $
Current		
GST recoverable	1,494	6,896

Credit Risk – Trade and Other Receivables
The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for. The classes of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

There are no trade and other receivables that are past due but not impaired at the date of this report.

	2014 $	2013 $
Note 9 Other current assets		
Prepayments	10,442	24,632

Note 10 Property, plant and equipment

	2014 $	2013 $
At cost	33,652	33,652
Accumulated depreciation	(33,652)	(33,652)
	–	–
Office equipment and fittings		
At cost	20,178	20,178
Accumulated depreciation	(19,289)	(18,271)
	889	1,907
Motor vehicles		
At cost	54,274	54,274
Accumulated depreciation	(54,274)	(54,274)
	–	–
Site equipment		
At cost	1,442	1,442
Accumulated depreciation	(1,442)	(1,442)
	–	–
	889	1,907
Reconciliation		
Computer Software		
Net book value at 1 July	–	3,391
Additions	–	–
Depreciation	–	(3,391)
Net book value at 30 June	–	–
Office equipment and fittings		
Net book value at 1 July	1,907	2,926
Additions	–	–
Depreciation	(1,018)	(1,019)
Net book value at 30 June	889	1,907

No items of property, plant and equipment have been pledged as security by the Group.

Note 11 Capitalised mineral exploration and evaluation expenditure

	2014 $	2013 $
In the exploration and evaluation phase		
Cost brought forward	3,737,186	3,450,442
Exploration expenditure incurred during the year	819,738	844,566
Proceeds from farm-in agreements	(100,000)	–
Exploration expenditure written off during the year	(61,199)	(557,822)
Cost carried forward	4,395,725	3,737,186

Expenditure written off during the year amounting to $61,199 (2013: $557,822) consists of amounts that do not meet the carry forward criteria as per Note 1(k). The Directors have performed an assessment of the carry forward criteria as per Note 1(k) and have determined to impair all deferred exploration expenditure other than the Horsewell Gold Project and Lake Violet.

The recoverability of the carrying amount of the capitalised exploration and evaluation assets is dependent upon the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

Note 12 Trade and other payables

	2014 $	2013 $
Trade payables and accruals	80,431	88,020
	80,431	88,020

(a) Interest rate risk exposure
Details of the Group's exposure to interest rate risk on liabilities are set out in Note 17.

(b) Fair value disclosures
Details of the fair value of liabilities for the Group are set out in Note 17.

(c) Security
There are no secured liabilities as at 30 June 2014.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 17.

Note 13 Provisions

	2014 $	2013 $
Current provisions		
Employee provisions	37,106	–
	37,106	–

Note 14 Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2014 the parent company of the Group was Alloy Resources Limited.

	2014 $	2013 $
Result of the parent entity		
(Loss) for the year	(488,308)	(1,028,698)
Other comprehensive income	–	–
Total comprehensive loss for the year	(488,308)	(1,028,698)
Financial position of the parent entity at year end		
Total current assets	445,083	356,223
Investment[ii]	350,000	350,000
Trade and other receivables[i]	3,853,755	3,292,894
Property, plant and equipment	889	1,907
Deposits	–	10,000
Capitalised mineral exploration and evaluation expenditure[iii]	192,498	94,820
Total non-current assets	4,397,142	3,749,621
Total assets	4,842,225	4,105,844
Current liabilities	117,536	88,020
Total liabilities	117,536	88,020
Total equity of the parent entity comprising of:		
Issued capital	14,011,896	12,853,611
Accumulated losses	(9,431,651)	(8,943,042)
Reserves	144,444	107,258
Total Equity	4,724,688	4,017,827

(i) Loan to Eskay Resources Pty Ltd (a controlled entity) is interest free, unsecured and is repayable on demand. Whilst the loan is at call there is no expectation at reporting date that it will be called in the next 12 months and has accordingly been classified as non-current. The loan is in respect of exploration expenditure incurred by the subsidiary company on the Group's mining tenements. The ultimate recoupment is dependent on successful development and commercial exploitation or alternatively, sale of the underlying mineral exploration properties.

(ii) The ultimate recoupment of the investment in Eskay Resources Pty Ltd is dependent on successful development and commercial exploitation or alternatively, sale of the underlying mineral exploration properties.

(iii) The recoverability of the carrying amount of the capitalised exploration and evaluation assets is dependent upon the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

Note 15 Contributed equity

(a) Share Capital

		2014 No.	2013 No.	2014 $	2013 $
Issued share capital		440,005,338	186,044,870	14,011,896	12,853,611
Share movements during the year	*Issue price*				
At the beginning of the year		273,670,937	186,044,870	12,853,611	11,998,311
Entitlement issue	$0.01	–	62,014,956	–	620,149
Exercise of performance share rights	$0.03	1,166,667	1,166,667	35,000	35,000
Placement	$0.009	–	24,444,444	–	220,000
Share Purchase Plan	$0.005	32,400,000	–	162,000	–
Placement	$0.005	10,000,000	–	50,000	–
Placement	$0.008	35,000,000	–	280,000	–
Entitlement issue	$0.008	87,767,734	–	702,142	–
Capital raising costs				(70,857)	(19,849)
At the end of the year		440,005,338	273,670,937	14,011,896	12,853,611

(b) Ordinary shares

The Company is a public company limited by shares. The Company was incorporated in Perth, Western Australia on 2 June 2004. The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(c) Options

Information relating to options issued by Alloy Resources Limited is set out in Note 16.

(d) Equity Remuneration Reserve

The equity remuneration reserve comprises of the share based payment expense recognised at the fair value of options granted to employees and directors.

Note 16 Share-based payments

Details of the Company's share right and option plans, under which share rights and options are issuable to employees, directors and consultants are summarised below. Details of share rights and options issued to Directors are set out below.

(a) Incentive Option Plan

The Company has a formal option plan for the issue of options to employees, directors and consultants, which was approved by shareholders at the Company's Annual General Meeting on 28 November 2013. Options are granted free of charge and are exercisable at a fixed price in accordance with the terms of the grant. Options over unissued shares are issued under the terms of the Plan at the discretion of the Board.

(b) Performance Rights Plan

The Company has a formal plan for the issue of performance share rights to employees, which was approved by shareholders at the Company's Annual General Meeting on 28 November 2013. Share rights are granted free of charge and are exercisable into ordinary fully paid shares in accordance with the terms of the grant. Share rights are issued to employees under the terms of the Plan at the discretion of the Board.

(c) Terms and conditions of the grants

The terms and conditions of the grants are set out in Note 16(d). All options and performance rights are to be settled by physical delivery of shares.

(d) Options and performance Rights issued during the year

During financial year ended 30 June 2014, the following options were granted.

Grant date	Number	Exercise Price	Vesting conditions	Expiry date
Directors' Options				
29 November 2013	9,000,000	1.5 cents	At grant	30 November 2016
Unlisted options to underwriter				
29 November 2013	2,000,000	1.2 cents	At grant	30 September 2014

(e) Number and weighted average exercise prices of share options

	2014 Weighted average exercise price (cents)	2014 Number of options	2013 Weighted average exercise price (cents)	2013 Number of options
Outstanding at 1 July	4.5	3,500,000	15.4	7,500,000
Expired during the period	2.23	(2,000,000)	25	(4,000,000)
Granted	1.35	11,000,000	–	
Outstanding at 30 June	2.23	12,500,000	4.5	3,500,000
Exercisable at 30 June		12,500,000		3,500,000

Note 16 Share-based payments continued

(f) Number and weighted average exercise prices of performance rights

	2014 Weighted average exercise price (cents)	2014 Number of options	2013 Weighted average exercise price (cents)	2013 Number of options
Outstanding at 1 July	–	2,333,333	–	3,500,000
Exercised during the period	–	(1,166,667)	–	(1,166,667)
Outstanding at 30 June	–	1,166,666	–	2,333,333
Exercisable at 30 June		–		–

(g) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2014 is 12,500,000 (2013: 3,500,000). The terms of these options are as follows:

Number of Options Outstanding	Exercise Price	Expiry Date
3,500,000 Unlisted	4.5 cents	30 August 2015
7,000,000 Unlisted	1.5 cents	30 November 2016
2,000,000 unlisted	1.2 cents	30 September 2014

(h) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 1.44 years (2013: 2.20 years).

(i) Weighted average fair value

The fair value of share options granted were measured using a Black-Scholes model with the following inputs:

	Options 2014	Options 2013
Fair value of share options and assumptions		
Fair value at grant date	\$0.0052	–
Share price	\$0.0070	–
Exercise price	\$0.0135	–
Expected volatility (weighted average volatility)	170.15%	–
Option life (expected weighted average life)	1.9 years	–
Expected dividends	0	–
Risk-free interest rate (based on government bonds)	2.90%	–

Note 17 Financial instruments

Financial risk management
The Group has exposure to a variety of risks arising from its use of financial instruments. This note presents information about the Group's exposure to the specific risks, and the policies and processes for measuring and managing those risks and the management of capital. Further quantitative disclosures are included throughout this financial report. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

Trade and other receivables
Receivables that the Group recognises through its normal course of business are short term in nature and the most significant (in quantity) is the receivable from the Australian Taxation Office. The risk of non-recovery of receivables from this source is considered to be negligible.

Cash deposits
The Group's primary banker is Westpac, at balance date all operating accounts and funds held on deposit are with this bank. The Directors believe any risk associated with the use of only one bank is mitigated by their size and reputation. Except for this matter the Group currently has no significant concentrations of credit risk.

Impairment losses
The Directors do not consider that any of the Group's financial assets are subject to impairment at the reporting date. No impairment expense or reversal of impairment charge has occurred during the reporting period. None of the Group's other receivables are past due (2013: Nil).

(b) Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance resources to finance the Group's current and future operations, and consideration is given to the liquid assets available to the Company before commitment is made to future expenditure or investment.

Note 17 Financial instruments continued

(b) Liquidity risk continued

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

In AUD	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
30 June 2014							
Trade and other payables	80,431	(80,431)	(80,431)	–	–	–	–
	80,431	(80,431)	(80,431)	–	–	–	–
30 June 2013							
Trade and other payables	88,020	(88,020)	(88,020)	–	–	–	–
	88,020	(88,020)	(88,020)	–	–	–	–

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising any return.

Interest rate risk

As the Group has significant interest bearing assets, the Group's income and operating cash flows are materially exposed to changes in market interest rates. The assets are short term interest bearing deposits, and no financial instruments are employed to mitigate risk.

At the reporting date the interest profile of the Company's interest-bearing financial instruments was:

	Carrying Amount	
In AUD	2014	2013
Fixed rate instruments		
Financial liabilities	–	–
Variable rate instruments		
Financial assets	433,157	324,706

Note 17 Financial instruments continued

(c) Market risk continued

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
In AUD	100bp increase	100bp decrease
30 June 2014		
Variable rate instruments	4,332	(4,332)
30 June 2013		
Variable rate instruments	3,247	(3,247)

Fair values versus carrying amounts
The carrying amounts of financial assets and liabilities as described in the Consolidated Statement of financial position equate to their estimated net fair value.

(d) Capital management

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors capital expenditure and cash flows as mentioned in 16 (b).

The Group's objectives when managing capital is to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.
Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 18 Dividends

No dividends were paid or proposed during the financial year.
The company has no franking credits available as at 30 June 2014.

Note 19 Key management personnel disclosures

(a) Details of Key Management Personnel

Directors

Peter Harold	Non-Executive Chairman (Resigned 30 June 2014)
Andrew Viner	Managing Director
Kevin Hart	Non-Executive Director and Company Secretary
Andre Marschke	Non-Executive Director (Appointed 7 January 2014)

	Carrying Amount	
	2014	2013
	$	$
(b) Compensation for key management personnel		
Short-term employee benefits	270,278	284,693
Post-employee benefits	19,821	20,057
Share-based payment	65,909	35,879
Total compensation	356,808	340,629

(c) Other key management personnel

There were no other persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

Note 20 Remuneration of auditors

	2014	2013
	$	$
Audit and review of the Group's Consolidated Financial Statements	30,704	34,000
	30,704	34,000

Note 21 Contingencies

(i) Contingent liabilities

There were no material contingent liabilities not provided for in the Consolidated Financial Statements of the Company or Group as at 30 June 2014 or 30 June 2013, other than:

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

(ii) Contingent assets

There were no material contingent assets as at 30 June 2014 or 30 June 2013.

Note 22 Commitments

(a) Exploration

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the Consolidated Financial Statements and which cover the following twelve month period amount to $431,337 (2013: $515,478). The majority of these obligations are currently being met by farm-out arrangements with Doray Minerals Limited.

(b) Contractual Commitment

There are no contracted commitments other than those disclosed above.

Note 23 Controlled entities

Alloy Resources Limited owns 100% of the share capital of Eskay Resources Pty Ltd. Eskay Resources Pty Ltd is incorporated in the state of Western Australia.

Note 24 Interests in joint ventures

Horse Well Farm-in Agreement

On 23 May 2014 the Company announced that it had entered into a $4 million farm-in agreement with Doray Minerals Limited for the Horsewell Gold Project.

The key terms are of the farm-in agreement are;

- $100,000 cash payment to Alloy at Commencement
- Doray to spend $2 million within 2 years to earn 60%
  - $900,000 non-withdrawal expenditure within the first 12 months after Commencement.
  - Alloy to manage initial agreed field exploration programme.
- JV to spend a further $2 million within 3 years of Commencement.
  - Alloy at this time can elect to contribute pro rata (at 40%) to this $2 million or dilute to 20% and be free carried through to completion of a Pre-Feasibility Study (PFS).
- Alloy to contribute from PFS and beyond (i.e. DTM and operational JV) or reduce to a 1% NSR using an industry standard dilution formula.

Note 25 Events occurring after the reporting date

On 2nd September 2014, the Company exercised an option with Phosphate Australia Limited, to acquire 80% of license EL69/2820 which forms an important part of the Crack of Dawn area within the Northern part of the Horsewell Project. Settlement of the Option was completed though a $25,000 cash consideration and $25,000 in Alloy Resources shares, being 3,125,000 shares at an issue price of $0.008.

The Company's Joint Venture partner, Doray Minerals Limited agreed to pay the cash consideration as part of its earn-in expenditure.

Apart from the above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

Note 26 Reconciliation of loss after tax to net cash outflow from operating activities

	2014 $	2013 $
Loss after income tax	(488,608)	(1,029,217)
Depreciation	1,019	4,410
Write off of exploration expenditure	61,199	557,822
Share based payments	65,909	35,880
Proceeds from sale of project	(75,000)	–
Change in operating assets and liabilities:		
Decrease in receivables/prepayments	6,391	8,534
Increase/(decrease) in payables	(13,595)	3,162
Increase/(decrease) in employee provisions	39,798	–
Net cash outflow from operating activities	(402,887)	(419,409)

Note 27 Earnings per share

	2014 Cents	2013 Cents
(a) Basic earnings per share		
Loss attributable to ordinary equity holders of the company	(0.12)	(0.42)
(b) Diluted earnings per share		
Loss attributable to ordinary equity holders of the company	(0.12)	(0.42)
(c) Loss used in calculation of basic and diluted loss per share		
Loss after tax from continuing operations	(488,608)	(1,029,217)

	2014 No.	2013 No.
Weighted average number of shares used	407,526,692	247,138,454

Potential ordinary shares are not considered dilutive as their conversion does not show an inferior view of the earnings performance of the company. Accordingly, diluted earnings per share are the same as the basic earnings per share. Number of options so excluded from the calculation is set out in Note 16.

Directors' Declaration

In the opinion of the Directors of Alloy Resources Limited ("the Company")

1 (a) the Consolidated Financial Statements and notes set out on pages 36 to 63 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' report, are in accordance with the Corporations Act 2001, including:

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

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the managing director and company secretary for the financial year ended 30 June 2014.

Signed at Perth this 26th day of September 2014

Andrew Viner
Executive Chairman

Independent auditor's report to the members of Alloy Resources Limited

Report on the financial report

We have audited the accompanying financial report of Alloy Resources Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the Group 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 is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity'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 entity'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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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*.

Auditor's opinion

In our opinion:

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

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

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

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

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to note 2(a) of the financial report. The matters set forth in note 2(a) indicate the existence of material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and as at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in 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 auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Alloy Resources Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

David Sinclair
Partner

Perth

26 September 2014

ASX Additional Information

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as at 10 October 2014.

A. Distribution of Equity Securities

Distribution	Number of Shareholders
1 – 1,000	19
1,001 – 5,000	20
5,001 – 10,000	84
10,001- 100,000	301
More than 100,000	346
Total	770
Holding less than a marketable parcel	336

B. Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.

C. Twenty Largest Shareholders

The names of the twenty largest holders of quoted shares are listed below:

		Listed Ordinary Shares	
Shareholder Name		Number	Percentage
1	Manafield Holdings Pty Ltd	21,944,443	4.94
2	Slade Technologies Pty Ltd	20,625,000	4.64
3	Nakuru Resources Pty Ltd	20,009,220	4.50
4	Scintilla Strategic	17,700,000	3.98
5	Western Discovery Pty Ltd	17,337,241	3.90
6	Walter S & MA Wilson	14,500,000	3.26
7	Clayton R & NC Lyndon	10,500,000	2.36
8	Raul Used	9,183,332	2.07
9	Leslie A & FJ Painting	8,750,000	1.97
10	Gary Johnson Super Mgnt PL	8,715,931	1.96
11	Tre Pty Ltd	7,810,000	1.76
12	MB Clayworth & J Goller	7,000,000	1.58
13	Drivecheck Aust 2000 Pty Ltd	6,750,000	1.52
14	Custodial Services Ltd	5,149,999	1.16
15	Clayworth Pty Ltd	5,000,000	1.13
16	Billericay Investments Pty Ltd	4,660,000	1.05
17	Austanco Pty Ltd	4,400,000	0.99
18	Rivian Inv Pty Ltd	4,375,000	0.98
19	Kevin Ronald Hart	4,166,666	0.94
20	Stateline Inv Pty Ltd	4,148,351	0.93
		202,725,183	45.62

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Alloy
RESOURCES LIMITED
ABN 20 109 361 195

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