



ABN 20 109 361 195

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Corporate Directory

Directors

Mr Andrew Viner	Executive Chairman
Mr Kevin Hart	Non-Executive Director
Mr Allan Kelly	Non-Executive Director

Company Secretary

Mr Kevin Hart

Principal Office

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West Perth WA 6005

Registered Office

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Mt Pleasant, Western Australia 6153
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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

Corporate Governance

The Company has adopted the 3rd Edition of the ASX Corporate Governance Recommendations.

A summary statement which has been approved by the Board together with current policies and charters is available on the Company website.

(Click the following URL) <http://www.alloyres.com.au/company-corpgov.php>

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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.

The Company confirms that it is not aware of any new information that materially affects the information included in the relevant ASX releases and the form and content of the announcements have not been materially modified. In the case of estimates of Mineral Resources, the Company confirms that all material assumptions and technical parameters underpinning the relevant market announcement, continue to apply and have not materially changed.

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 2018 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 over 30 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 30 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.

Allan Kelly – Non-executive Director

Appointed a Director on 10 February 2017.

Mr Kelly has over 25 years' experience in mineral exploration geology, geochemistry and project management throughout Australia and the Americas, as well as general management experience in the resources, tourism, manufacturing and hospitality sectors.

In 2009 Mr Kelly founded Doray Minerals Limited which listed on the ASX in early 2010. He was managing director of Doray Minerals Limited until his resignation in November 2016.

Mr Kelly is a former Councillor of the Association of Mining and Exploration Companies (AMEC), a Fellow and former Councillor of the Association of Applied Geochemistry (AAG) and a member of the Australian Institute of Geoscientists (AIG). Mr Kelly is also the managing director of Riversgold Limited since February.

Directors' Interests

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

<i>Director</i>	<i>Directors' Interests in Ordinary Shares</i>	<i>Directors' Interests in Unlisted Options (Vested)</i>	<i>Directors' Interests in Share Rights (Not Vested)</i>
Andrew Viner	29,252,667	5,000,000 ⁽ⁱ⁾	-
Kevin Hart	12,072,328	2,000,000 ⁽ⁱⁱ⁾	-
Allan Kelly	4,807,857	2,000,000 ⁽ⁱⁱⁱ⁾	-

(i) 5,000,000 unlisted options exercisable by payment of 1.5 cents each on or before 24 November 2019.

(ii) 2,000,000 unlisted options exercisable by payment of 1.5 cents each on or before 24 November 2019.

(iii) 2,000,000 unlisted options exercisable by payment of 1.6 cents each on or before 10 February 2020.

Directors Report (continued)

Directors' Meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2018 and the number of meetings attended by each Director was:

<i>Director</i>	<i>Board of Directors' Meetings</i>	
	<i>Held</i>	<i>Attended</i>
Andrew Viner	5	5
Kevin Hart	5	5
Allan Kelly	5	5

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 \$161,387 (2017: \$734,436). Included in the loss is an amount of \$86,800 (2017: \$283,312) being a write off of exploration assets following a review as detailed in note 10.

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

During the year the Company actively explored the Horse Well and Ophara Projects and farmed out two projects.

Project highlights during the financial year include:

HORSE WELL GOLD PROJECT – Alloy Resources Limited 51% (earning 60%)

The Horse Well Joint Venture with Doray Minerals Limited ('Doray') is exploring the 650 square kilometre Horse Well Project which is located in the north eastern goldfields adjacent to Northern Star's Jundee Gold Mine.

During the March Quarter 2018, Alloy announced that it had reached agreement with Doray, for Alloy to regain a majority interest and assume management control of exploration. Under Alloy management some exploration priorities have changed whereby there will be equal focus on the discovery of both large new gold deposits as well as smaller high-grade deposits.

Transaction Terms

The key material terms are:

1. Alloy acquired an 11% HWJV interest, taking it to a 51% HWJV interest by payment of;
 - \$300,000 cash, and the issue of;
 - \$200,000 in AYR shares priced at 0.6 cents based on a 10-day VWAP on the effective date.
2. The 32,258,065 AYR shares issued are escrowed for 6 months.
3. With 51% interest Alloy assumes Management of the HWJV.
4. Alloy will sole fund \$1.4 million expenditure to go to a 60% JV interest.

Directors Report (continued)

5. Doray can elect to contribute or dilute after Alloy has reached a 60% interest in the HWJV. If Doray dilutes to 5% or below then its interest will revert to a 1% NSR.
6. Doray retains a 'Claw-back' right if a 1.5 million ounce Mineral Resource is defined. If exercised:
 - Doray must repay Alloy 3 x Exploration Expenditure to get 51%.
 - Alloy 49% free-carried to completion of a BFS.
7. HWJV may nominate areas for a 'Small Mine' Development;
 - Applicable to any Mineral Resource < 1.5 Moz with a positive Scoping Study.
 - Mine Development Area separated out from HWJV into a Mining JV.
 - Mining JV can elect to Mine, Process, Toll Mill or Sell.

Exploration completed

RC Drilling

A total of fourteen holes for 1,877 metres were completed at Warmblood, Filly SW and Dusk til Dawn prospects. The aim was to test concepts for extensions and orientations of higher grade zones within known mineralised areas (refer ASX release dated 26 June 2018).

Warmblood - Filly SW RC Drilling

A total of nine RC holes for 1,183 metres and 776 samples were drilled on the Warmblood-Filly SW mineralised trend during May 2018. At Warmblood the target was the depth extensions to the shallower defined mineralisation which has been interpreted to contain high-grade shoots that plunge to the north at about 50 degrees. This drilling aimed to confirm this geometry and also the grade tenor in fresh rock.

At Filly SW there is a defined Inferred Mineral Resource of 85,000 tonnes @ 8.24 g/t Au (refer ASX:28 October 2015 Quarterly Report) and mineralisation was not closed off to the north where a historic air-core hole drill hole had intersected 4 metres @ 43.60 g/t Au and not been followed up.

The main drilling tested a 300 metre strike length on approximately a 40 metre line spacing. Holes were mostly testing deeper below existing holes. A number of outstanding intersections were received and mineralisation remains present along the entire strike length with higher grade zones pinching and swelling as pods along a fairly consistent steep dipping structure.

Table 1 below lists the main significant intersections (0.5 g/t Au) returned from the drilling.

Table 1 Warmblood – Filly SW better Significant Intersections

Hole_ID		mFrom	mTo	Intersection
AHWR068		57	71	14m @ 8.38 g/t Au
	including	57	63	7m @ 5.15 g/t Au
	including	67	71	4m @ 20.08 g/t Au
		89	92	3m @ 10.95 g/t Au
AHWR069		83	98	15m @ 5.34 g/t Au
	including	85	92	7m @ 10.25 g/t Au
		103	107	4m @ 1.95 g/t Au
AHWR070		69	76	7m @ 3.05 g/t Au
		84	87	3m @ 2.62 g/t Au
AHWR072		74	81	7m @ 2.04 g/t Au
AHWR073		63	71	8m @ 2.45 g/t Au
AHWR074		61	63	2m @ 9.34 g/t Au
	including	61	62	1m @ 18.15 g/t Au

Directors Report (continued)

Celia Shear Infill Soil Sampling

In light of developments at Renegade Exploration's "Coralie Jean" prospect located 15 kilometres south of the Warmblood prospect, Alloy has reviewed a large amount of soil sampling completed by Alloy before the Horse Well JV commenced.

A number of high grade rock chip samples have been discovered at Coralie Jean however very little response from gold in soil sampling existed. After reviewing historical multi-element drill and soil sampling of gold mineralisation at the various Horse Well JV prospects a number of key gold pathfinder elements were observed which are likely to help locate new gold prospects. The lag sampling method was regarded as most appropriate for the complex regolith, giving the best opportunity to test the majority of the area despite both aeolian sand and silcrete and ferricrete development.

Two of these pathfinders, Bismuth and Tellurium, gave encouragement that the Celia Shear remained highly prospective showing anomalies at Warmblood and also north of the Coralie Jean prospect. Using this information and after some minor orientation sampling, a large lag soil sampling program of 1,200 samples was completed to infill and extend the previous sampling grid at about a 200 metre x 100 metre grid. A full 51 multi-element suite including gold was analysed at low detection limits (refer ASX release dated 9 July 2018).

Field checking of subsequent anomalies has included regolith and geological mapping and this information has been collected in a GIS dataset. The new infill soil sampling has confirmed and enhanced the previously defined anomalies.

Despite the regolith variability there is strong evidence that some pathfinder elements have been concentrated in the surface material and are evidence of subsurface mineralisation. Gold is not enhanced in the soil at all and is possibly only present when rare residual soil on bedrock is present. Six very promising new anomalies are defined by the surface soil sampling.

OPHARA COBALT GOLD PROJECT - 100%

The Ophara project lies adjacent to the South Australian border west of Broken Hill in New South Wales in an area which is known to have significant Cobalt mineralisation with large resources defined at the adjacent Mutooroo and Thackaringa deposits.

The Company has an advanced cobalt-gold prospect at the Great Goulburn Prospect. The mineralisation style has similarities to both Mutooroo and Thackaringa Cobalt deposits however it is unique in having low-copper and high-gold mineralisation associated with the Cobalt. The Company has completed first pass RC drilling at Great Goulburn and has intersected mineralisation of 5 to 20 metres thickness at grades of approximately 0.10-15% Co and 0.3-0.4 g/t Au over a 700-metre strike length. Mineralisation here is mostly outcropping, however along strike it disappears under transported cover.

During the year the Company evaluated the potential to complete soil sampling to locate new areas of Cobalt-Gold-Copper mineralisation under the variable surface terrain that has little residual soil. In addition to this, areas of interest could be mapped by aero-magnetics and to some extent by aerial electro-magnetics. A large program was completed during the March 2018 quarter covering a 60 square kilometre area surrounding the known Great Goulburn cobalt-gold prospect. A total of 792 soil samples were collected on a variable grid spacing including 200m x 100m around the Great Goulburn prospect, 400m x 200m more generally and some areas at 200m x 200m. Soil samples were submitted for low-level analysis of 51 elements.

The generally broad spacing of sampling worked remarkably well in defining coincident and coherent trends of anomalous geochemistry in soil including Co (>12ppm), Au (>4ppb), Cu (>30ppm) and Te (>32ppb). The detailed sampling over the Great Goulburn prospect confirmed that anomalies are not strong, even in good outcrop areas, so broader anomalies are highly significant and, if the regional anomalies defined by the 400m x 200m sampling were infilled to 200m x 100m (like the Great Goulburn area), they become quite significant (refer ASX release dated 30 April 2018).

Directors Report (continued)

Given these good results a total of 604 infill soil samples were collected to infill the February 2018 anomalous soil trends to a grid spacing of 200m x 100m. Later in the June quarter a further 243 extensional soil samples were collected within two areas located in the south west and east of the larger infill soil sampled area. About a 10 km² area was completed at a grid spacing of 200m x 200m.

A significant new discovery has been made from within the eastern extensional soil sampling area where an outstanding peak rock chip sample assayed 24.1 g/t Gold, 34.8% Copper and 401 ppm Cobalt was located on a historic shaft working called the Kitchies Reward. Mineralisation appears to be epigenetic as a subvertical structure at least 2 metres wide with strong siderite-pyrite-chalcopyrite alteration in strong sheared rocks.

The infill and extensional sampling has successfully defined linear coincident and coherent trends of anomalous geochemistry in soil including Co (>11ppm) and Au (>5ppb) that offers excellent targets for field mapping and rock chip sampling where appropriate, before drill testing.

PATERSON PROJECT – (Rio Tinto farm-in)

During the June quarter the Company entered into a Farm-In and Joint Venture Agreement with Rio Tinto Exploration Pty Limited (**RTX**) whereby RTX can explore and earn a majority interest in the Company's Exploration Licence EL 45/4807 located in the Paterson region of Western Australia. RTX is a wholly owned subsidiary of Rio Tinto Limited (**Rio Tinto**).

RTX has the right to earn a 70% joint venture interest in the Tenement by completing expenditure of at least \$500,000; and at least 500 metres of drilling within 3 years. Thereafter Alloy may contribute or dilute at certain milestones.

RTX has commenced the initial earn-in commitment which requires spending a minimum of \$133,000 within 12 months before it can withdraw and is obligated to keep the tenement in good standing prior to any withdrawal.

KURNALPI PROJECT – (Riversgold farm-in)

During the March quarter the Company entered into a Farm-In and Joint Venture Agreement with Riversgold Limited (**RGL**) whereby RGL can explore and earn a 70% majority interest in the Company's Exploration Licence's 28/2599 and 2665 located in the Kurnalpi region east of Kalgoorlie in Western Australia.

CORPORATE

The Company has continued to maintain minimal operating cost expenditure. Exploration focused on the Horse Well Joint Venture where the Company is sole funding to increase its equity from 51% to 60%.

Financial Position

At the end of the financial year the Group had \$1,260,481 (2017: \$759,174) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure was \$5,447,695 (2017: \$3,524,427).

Expenditure on exploration and acquisition of tenements during the year was \$2,010,068 (2017: \$1,398,954). During the year the Group contributed \$986,992 (2017: \$864,509) towards the Horsewell Joint Venture in accordance with the Farm-in Agreement.

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 not otherwise disclosed in this report.

Directors Report (continued)

Options over Unissued Capital

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

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
7,000,000 ⁽ⁱ⁾	1.5 cents	25 November 2019
2,000,000 ⁽ⁱⁱ⁾	1.6 cents	10 February 2020
20,000,000 ⁽ⁱⁱⁱ⁾	1 cent	19 December 2019

- (i) The unlisted directors' options are fully vested and exercisable by payment of 1.5 cents on or before 25 November 2019.
- (ii) The unlisted directors' options are fully vested and exercisable by payment of 1.6 cents on or before 10 February 2020.
- (iii) Unlisted options issued to Hartley's Limited.

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

Matters Subsequent to the End of the Financial Year

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) Additional information

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.

Directors Report (continued)

Remuneration Report (audited) (continued)

2017 Annual General Meeting Votes

Alloy received 64% of yes votes on its remuneration report resolution for the 2017 financial year (2016: 55% yes vote).

(a) Details of Key Management Personnel

Directors

Andrew Viner	Executive Chairman
Kevin Hart	Non-executive Director and Company Secretary
Allan Kelly	Non-executive Director

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

The key principles include:

- Competitiveness 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 Limited Incentive Option Scheme and Performance Rights Plan.

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 2018 the Company contribution rate was 9.5% of ordinary time earnings.

Short term incentives

The Board has not established any ongoing short-term incentives. It is noted that the Executive Chairman's service agreement includes a performance based component. Upon meeting certain key performance criteria set by the Board, the Executive Chairman can earn up to 30% of his base salary as a short term cash incentive. No short term incentive programme is currently in place.

Directors Report (continued)

Remuneration Report (continued)

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 25 November 2016.

(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 2018 and 2017 are set out in the following tables:

2018	Short-term		Post Employment	Share- based payment	Total	Performance Related	Value of options as proportion of remuneration
Directors	Fees and Salaries \$	Non- monetary benefits \$	Superannuation Contributions \$	Options \$	\$	%	%
Andrew Viner	215,000	-	20,425	-	234,425	-	-
Kevin Hart	30,000	-	-	-	30,000	-	-
Allan Kelly	30,000	-	-	-	30,000	-	-
TOTAL	275,000	-	20,425	-	294,425	-	-

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

2017	Short-term		Post Employment	Share- based payment	Total	Performanc e Related	Value of options as proportion of remuneratio n
Directors	Fees and Salaries \$	Non- monetary benefits \$	Superannuation Contributions \$	Options \$	\$	%	%
Andrew Viner	168,050	-	15,965	24,208	208,223	11.63	11.63
Kevin Hart	25,000	-	-	9,683	34,683	27.92	27.92
Allan Kelly	10,000	-	-	16,982	26,982	62.94	62.94
Former Director							
Andre Marschke	10,654	-	1,012	-	11,666	-	-
TOTAL	213,704	-	16,977	50,873	281,554	18.25	18.25

Directors Report (continued)

Remuneration Report (continued)

(d) Service agreements

Remuneration and other terms of employment for the Executive Chairman 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, Executive Chairman

- Term of agreement – no fixed term, commenced 21 June 2011.
- Termination notice – 6 months' notice.
- Base salary inclusive of superannuation of \$235,000 to be reviewed annually.
- Short term incentives up to 30% of base salary at the discretion of the Board.

In February 2017, the executive chairman's salary was revised to \$235,000 per annum inclusive of superannuation.

(e) Share-based compensation

Options and Performance Rights

Options over shares in Alloy Resources Limited are granted under the Alloy Resources Limited Incentive Option Scheme and the Alloy Resources Limited Performance Rights Plan which were approved by shareholders at an Annual General Meeting of shareholders of the Company held on 25 November 2016.

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.

The terms and conditions of each grant of options affecting remuneration in the current reporting periods are as follows:

	Number of options granted	Grant date	Fair value per option at grant date (\$)	Exercise price per option (\$)	Expiry date	Vesting date
Directors						
Andrew Viner	5,000,000	25 Nov 2016	0.0048	0.015	24 Nov 2019	25 Nov 2016
Kevin Hart	2,000,000	25 Nov 2016	0.0048	0.015	24 Nov 2019	25 Nov 2016
Allan Kelly	2,000,000	10 Feb 2017	0.0085	0.016	10 Feb 2020	10 Feb 2017

Directors Report (continued)

Remuneration Report (continued)

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

<i>Grant Date</i>	<i>Option life</i>	<i>Fair value per option</i>	<i>Exercise price</i>	<i>Price of shares on grant date</i>	<i>Expected volatility</i>	<i>Risk free interest rate</i>	<i>Dividend yield</i>
7,000,000 Unlisted Options							
25 Nov 2016	3 Years	\$0.0048	\$0.015	\$0.007	143.12%	1.70%	0%
2,000,000 Unlisted Options							
10 Feb 2017	3 Years	\$0.0085	\$0.016	\$0.011	149.48%	1.91%	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.

There were no performance rights in existence as at 30 June 2018.

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:

Options

During the year there were no options issued to key management personnel.

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		Financial years in which grant vested	% lapsed in 2018	% vested as at 30 June 2018
	Number	Date			
Andrew Viner	5,000,000	25 Nov 2016	2017	-	100
Kevin Hart	2,000,000	25 Nov 2016	2017	-	100
Allan Kelly	2,000,000	10 Feb 2017	2017	-	100

Directors Report (continued)

Remuneration Report (continued)

(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:

2018 Name	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
<i>Directors</i>						
Andrew Viner	5,000,000	-	-	-	5,000,000	5,000,000
Kevin Hart	2,000,000	-	-	-	2,000,000	2,000,000
Allan Kelly	2,000,000	-	-	-	2,000,000	2,000,000

2017 Name	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
<i>Directors</i>						
Andrew Viner	5,000,000	5,000,000	-	(5,000,000)	5,000,000	5,000,000
Kevin Hart	2,000,000	2,000,000	-	(2,000,000)	2,000,000	2,000,000
Allan Kelly	-	2,000,000	-	-	2,000,000	2,000,000
Andre Marschke ⁽ⁱⁱ⁾	2,000,000	-	-	-	2,000,000	2,000,000

(i) Resigned 10 February 2017

(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.

2018 Name	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
<i>Directors</i>				
Andrew Viner	25,991,799	-	3,260,868	29,252,667
Kevin Hart	8,811,458	-	3,260,870	12,072,328
Allan Kelly	1,546,987	-	3,260,870	4,807,857

2017 Name	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
<i>Directors</i>				
Andrew Viner	25,991,799	-	-	25,991,799
Kevin Hart	8,811,458	-	-	8,811,458
Allan Kelly ⁽ⁱ⁾	1,546,987	-	-	1,546,987
Andre Marschke ⁽ⁱⁱ⁾	23,655,000	-	-	23,655,000

I. Opening balance of shares at date of appointment.

II. Closing balance of shares at date of resignation.

Directors Report (continued)

Remuneration Report (continued)

(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 financial year.

(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 financial year. 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 to the Company in the ordinary course of business. The value of the transactions in the financial year ending 30 June 2018 amount to \$57,381 (2017: \$53,681). The amount owing to Endeavour Corporate at 30 June was \$11,087 (2017: \$9,040).

(i) Company performance

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

	30 June				
	2018	2017	2016	2015	2014
	\$	\$	\$	\$	\$
Share price	0.007	0.035	0.01	0.005	0.006
Market capitalisation	10,159,343	34,894,767	7,127,076	2,463,538	2,640,032
Loss for the year	(161,387)	(734,436)	(547,872)	(2,822,968)	(488,608)

THIS IS THE END OF THE REMUNERATION REPORT

Officers' 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.

Directors Report (continued)

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.

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under Section 307C of the Corporations Act is set out on page 15 and forms part of the director's report for the financial year ended 30 June 2018.

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

DATED at Perth this 27th day of September 2018.

A handwritten signature in black ink, appearing to be 'AV' followed by a long horizontal stroke.

Andrew Viner
Executive Chairman



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 of Alloy Resources Limited for the financial year ended 30 June 2018 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.

A handwritten version of the KPMG logo in blue ink, with the letters 'KPMG' in a stylized, cursive-like font.

KPMG

A handwritten signature in blue ink, appearing to read 'Matthew Beevers', with a long horizontal line extending to the right.

Matthew Beevers

Partner

Perth

27 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
Other income	4	290,000	35,000
Non-executive Directors Fees		(60,000)	(46,667)
Depreciation and amortisation	5	(1,294)	(1,044)
Occupancy expenses	5	(25,233)	(23,292)
Accounting and administrative expenses		(174,406)	(253,956)
Employee expenses		(53,713)	(87,709)
Insurance expenses		(12,257)	(13,147)
Share based payments	18	-	(50,884)
Other expenses		(48,831)	(22,734)
Exploration costs impaired/written off	10	(86,800)	(283,312)
Results from operating activities		(172,534)	(747,745)
Finance and other income	4	11,147	13,309
Loss before income tax		(161,387)	(734,436)
Income tax expense	6	-	-
Loss for the period		(161,387)	(734,436)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(161,387)	(734,436)
Earnings/(loss) per share (cents):			
Basic earnings/(loss) per share (cents)	26	(0.013)	(0.085)
Diluted earnings/(loss) per share (cents)	26	(0.013)	(0.085)

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 2018

		30 June 2018 \$	30 June 2017 \$
Current assets			
Cash and cash equivalents	7	1,260,481	759,174
Trade and other receivables	8	87,945	3,037
Other current assets	9	5,639	10,377
Total current assets		1,354,065	772,588
Non- current assets			
Plant and equipment		7,212	3,506
Formation expenses		669	669
Capitalised mineral exploration and evaluation expenditure	10	5,447,695	3,524,427
Security deposits		20,334	10,000
Total non-current assets		5,475,910	3,538,602
Total assets		6,829,975	4,311,190
Current liabilities			
Trade and other payables	11	312,580	137,854
Provisions	12	78,348	70,906
Total current liabilities		390,928	208,760
Total liabilities		390,928	208,760
Net assets		6,439,047	4,102,430
Equity			
Issued capital	14	19,975,606	17,477,602
Accumulated losses		(13,587,432)	(13,432,045)
Reserves		50,873	56,873
Total equity		6,439,047	4,102,430

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 2018

	Share Capital	Accumulated losses	Equity Remuneration Reserve	Total
	\$	\$	\$	\$
Balance as at 1 July 2017	17,477,602	(13,432,045)	56,873	4,102,430
Loss for the period	-	(161,387)	-	(161,387)
Other comprehensive loss for the period	-	-	-	-
Total comprehensive loss for the period	-	(161,387)	-	(161,387)
Transfer from equity remuneration reserve		6,000	(6,000)	-
Transactions with equity holders in their capacity as equity holders:				
Issue of shares	2,600,000	-	-	2,600,000
Transaction costs of shares issued	(101,996)	-	-	(101,996)
Balance at 30 June 2018	19,975,606	(13,587,432)	50,873	6,439,047

	Share Capital	Accumulated losses	Equity Remuneration Reserve	Total
	\$	\$	\$	\$
Balance as at 1 July 2016	16,287,450	(12,748,493)	56,884	3,595,841
Loss for the period	-	(734,437)	57,874	(683,563)
Other comprehensive loss for the period				
Total comprehensive loss for the period	-	(734,437)	57,874	(683,563)
Transfer from equity remuneration reserve	-	50,884	(50,884)	-
Transactions with equity holders in their capacity as equity holders:				
Issue of shares for cash	1,280,000	-	-	1,280,000
Transaction costs of shares issued	(89,848)	-	-	(89,848)
Balance at 30 June 2017	17,477,602	(13,432,045)	56,873	4,102,430

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 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Interest received		11,382	13,309
Payments to suppliers and employees		(379,944)	(349,372)
Net cash (used in) operating activities	25	(368,562)	(336,063)
Cash flows from investing activities			
Payments for exploration expenditure		(1,262,801)	(1,428,358)
Payment for acquisition of tenements		(350,000)	-
Proceeds from tenement sales / farm-ins		250,000	-
Proceeds from option agreement		-	35,000
Security deposits paid		(10,334)	(10,000)
Net cash (used in) investing activities		(1,373,135)	(1,403,358)
Cash flows from financing activities			
Payment for the purchase of plant and equipment		(5,000)	(4,550)
Proceeds from issue of shares		2,350,000	1,250,000
Payments for transaction costs on issue of shares		(101,996)	(11,198)
Net cash from financing activities		2,243,004	1,234,252
Net increase/(decrease) in cash held		501,307	(505,169)
Cash and cash equivalents at 1 July		759,174	1,264,343
Cash and cash equivalents at 30 June	7(a)	1,260,481	759,174

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

**Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018**

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 2018 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 27th September 2018.

(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 \$963,137 as at 30 June 2018 and its net cash in-flows were \$501,307 in the financial year. (including net proceeds from share issues of \$2,248,004). The Group incurred a loss for the year of \$161,387, which included non-cash impairment and write off of exploration costs of \$86,800.

The directors have reviewed the Group's financial position and forecast cash flows and have assessed that the Group will be required to raise additional funds by way of issuing equity to continue its exploration program as forecast or alternatively reduce its discretionary expenditure. The directors 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 but is able to curtail expenditure if required. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

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

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

(a) Basis of preparation (continued)

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.

(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.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

(b) Principles of consolidation (continued)

(i) Business combinations (continued)

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.

(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.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

(c) Segment reporting (continued)

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.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

(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.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest the carrying amount exceeds the recoverable amount.

The fair value assessment is based on generally accepted industry market practice for estimating value for exploration assets.

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 allocate 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.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

(g) Impairment of financial assets (continued)

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.

(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.

**Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018**

(j) Property, plant and equipment (continued)

Depreciation of property, plant and equipment is calculated using the written down value method 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.

Exploration and evaluation assets are assessed for impairment when:

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

Farm-in expenditure

Any exploration expenditure met by the Farmee under a Farm-in agreement is not recorded by the Company. The Company does not recognise a gain or loss on the basis of the partial disposal of any exploration expenditure that has already been capitalised. Any proceeds received that are not attributable to future expenditure are credited against the carrying amount of any existing exploration asset. To the extent that the proceeds received from the Farmee exceed the carrying amount of any exploration asset that has already been capitalised, the excess is recognised as a gain in profit or loss.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

(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 profit and loss and other 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.

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.

**Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018**

(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.

(r) 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.

(s) New Accounting Standards for Application in Future Periods

In the year ended 30 June 2018, 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.

A number of new or amended standards will become applicable for the next reporting periods. Information on these new standards which are relevant to the Company is presented below.

AASB 9 Financial Instruments

AASB 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment

(s) New Accounting Standards for Application in Future Periods (Contd.)

AASB 9 Financial Instruments (Contd.)

on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 39.

AASB 9 is effective for annual reporting periods beginning on or after 1 January, 2018, with early adoption permitted.

The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and IFRC 13 *Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 16 Leases

AASB 16:

- replaces AASB 117 *Leases* and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16.

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.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Refer Note 10 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 15 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. 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.

Note 4 Finance and other income

		2018	2017
		\$	\$
<i>Finance income</i>			
Interest received		11,147	13,309
<i>Other income</i>			
Proceeds from Barrytown option agreement	i	200,000	35,000
Expenditure re-imbursements from farm-outs	ii	90,000	-
		290,000	35,000

- i) Sale of 80% interest in the Barrytown Mineral Sands Project to farm-in partner Pacific Mineral Resources Limited.
- ii) Surrender of EL38/3096 and sale of data,
- iii) reimbursement of the Groups expenditure on EL45/4807 (refer ASX release dated 19 June 2018), and reimbursement of the Groups expenditure on E25/550 (refer ASX release dated 26 February 2018).

Note 5 Loss for the year

	2018	2017
	\$	\$
<i>Loss before income tax includes the following specific expenses:</i>		
Depreciation:		
Office Equipment	1,294	1,044
Total depreciation		
Occupancy expenses	25,233	23,292
Contributions to defined contribution superannuation funds	20,425	16,977

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 6 Income tax

(a) Reconciliation of income tax expense/(benefit) to prima facie tax payable

Loss from continuing operations before income tax expense/(benefit)

Tax at the Australian rate of 27.5% (2017 – 27.5%)

Tax effect of permanent differences:

Non-deductible share-based payment

Exploration costs impaired

Capital raising costs

Other

Deferred tax assets not brought to account

Income tax expense

2018 \$	2017 \$
(161,387)	(734,436)
(44,381)	(201,970)
-	13,990
23,870	77,911
(28,365)	(23,847)
6,234	24,997
42,642	108,919
-	-

(b) Deferred tax – Consolidated Statement of Financial Position

Deferred Tax Liabilities

Prepayments

Capitalised Exploration and Evaluation expenditure

Formation expenses

Less: Deferred Tax Assets

Accrued expenses

Employees entitlement

Deductible equity raising costs

Tax losses available to offset against future taxable income

(a)

Net Deferred Tax Balance

2018 \$	2017 \$
(1,551)	(2,854)
(1,498,116)	(969,217)
(184)	(184)
(1,499,851)	(972,255)
15,591	16,319
21,546	19,499
70,322	70,638
1,392,392	865,799
1,499,851	972,255
-	-

(a) Tax losses

The balance of potential deferred tax assets of \$5,389,236 (2017: \$4,616,550) 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.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 7 Current assets - Cash and cash equivalents

	2018 \$	2017 \$
Cash at bank and in hand	1,260,481	759,174
	<u>1,260,481</u>	<u>759,174</u>

(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:

Balances as above and per Cash flow statement	<u>1,260,481</u>	<u>759,174</u>
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(b) Cash at bank

Cash balances earn interest at 1.5% p.a. (2017: 1.5% 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

	2018 \$	2017 \$
<i>Current</i>		
Debtors	44,000	-
GST recoverable	43,945	3,037
	<u>87,945</u>	<u>3,037</u>

Note 9 Other current assets

Prepayments	<u>5,639</u>	<u>10,377</u>
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Note 10 Capitalised mineral exploration and evaluation expenditure

	2018 \$	2017 \$
<i>In the exploration and evaluation phase</i>		
Cost brought forward	3,524,427	2,408,785
Exploration expenditure incurred during the year	1,510,068	534,345
Payments to regain majority interest in Horsewell Joint Venture	500,000	-
Contributions to Horsewell Joint Venture	-	864,609
Exploration expenditure impaired or expensed during the year	(86,800)	(283,312)
Cost carried forward	<u>5,447,695</u>	<u>3,524,427</u>

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.

Exploration expenditure written off during the year of \$86,800 pertained mainly to project generation expenditure in the beginning of the financial year.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 11 Trade and other payables

	2018 \$	2017 \$
Trade payables and accruals	312,580	137,854
	312,580	137,854

a) Interest rate risk exposure

Details of the Group's exposure to interest rate risk on liabilities are set out in note 16.

Note 12 Provisions

	2018 \$	2017 \$
Current provisions		
Employee provisions	78,348	70,906
	78,348	70,906

Note 13 Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2018 the parent company of the Group was Alloy Resources Limited.

	2018 \$	2017 \$
Result of the parent entity		
(Loss) for the year	(151,655)	(734,436)
Other comprehensive income	-	-
Total comprehensive loss for the year	(151,655)	(734,436)
Financial position of the parent entity at year end		
Total current assets	1,328,184	746,035
Investment (ii)	350,000	350,000
Trade and other receivables (i)	3,085,798	1,945,663
Security deposits	10,209	-
Plant and equipment	7,212	3,506
Capitalised mineral exploration and evaluation expenditure (iii)	2,088,671	1,296,348
Total non-current assets	5,541,890	3,595,517
Total assets	6,870,074	4,341,552
Current liabilities	390,931	208,759
Total liabilities	390,931	208,759
Total equity of the parent entity comprising of:		
Issued capital	19,975,606	17,477,602
Accumulated losses	(13,547,336)	(13,401,682)
Reserves	50,873	56,873
Total Equity	6,479,143	4,132,793

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 13 Parent Entity Disclosures (cont.)

- (i) Loans to Eskay Resources Pty Ltd and Alloy Minerals Pty Ltd (controlled entities) are interest free, unsecured and is repayable on demand. Whilst the loans are at call there is no expectation at reporting date that it will be called in the next 12 months and have accordingly been classified as non-current. The loan is in respect of exploration expenditure incurred by the subsidiary companies 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 14 Contributed equity

a) Share Capital

		2018 No.	2017 No.	2018 \$	2017 \$
Issued share capital		1,451,334,758	966,993,360	19,975,606	17,477,602
<i>Share movements during the year</i>	<i>Issue price</i>				
At the beginning of the year		966,993,360	712,707,646	17,477,602	16,287,450
Placement	\$0.004	150,000,000	-	600,000	-
Share purchase plan	\$0.004	150,000,000	-	600,000	-
In part payment for tenement	\$0.0062	32,258,065	-	200,000	-
In part payment for tenement	\$0.006	8,333,333	-	50,000	-
Placement	\$0.008	143,750,000	-	1,150,000	-
Placement	\$0.005	-	250,000,000	-	1,250,000
Issue in lieu of consulting fees	\$0.007	-	4,285,714	-	30,000
Capital raising costs		-	-	(101,996)	(89,848)
At the end of the year		1,451,334,758	966,993,360	19,975,606	17,477,602

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 15.

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.

**Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018**

Note 15 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 25 November 2016. 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 25 November 2016. 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 15(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 2017, the following options were granted.

Directors' Options

Grant date	Number	Exercise Price	Vesting conditions	Expiry date
25 November 2016	7,000,000	1.5 cents	At grant	25 November 2019
10 February 2017	2,000,000	1.6 cents	At grant	10 February 2020

Consultant's Options

Grant date	Number	Exercise Price	Vesting conditions	Expiry date
25 November 2016	20,000,000	1.0 cents	At grant	19 December 2019

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 15 Share-based payments (continued)

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

	2018	2018	2017	2017
	Weighted average exercise price (cents)	Number of options	Weighted average exercise price (cents)	Number of options
Outstanding at 1 July	1.16	31,000,000	1.43	9,000,000
Expired during the period	0.08	(2,000,000)	1.43	(9,000,000)
Granted	-	-	1.16	31,000,000
Outstanding at 30 June	1.16	29,000,000	1.16	31,000,000
Exercisable at 30 June		29,000,000		31,000,000

(f) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2018 is 29,000,000 (2017:31,000,000). The terms of these options are as follows:

<i>Number of Options Outstanding</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
7,000,000 Unlisted	1.5 cents	25 November 2019
2,000,000 unlisted	1.6 cents	10 February 2020
20,000,000 unlisted	1 cent	19 December 2019

(h) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2018 is 1.5 years (2017: 2.33 years).

(i) Weighted average fair value

The fair value of share options granted in the 2017 financial year were measured using a Black-Scholes model with the following inputs:

	Options	Options	Options
<i>Fair value of share options and assumptions</i>	2017	2017	2017
Fair value at grant date	\$0.0048	\$0.085	\$0.053
Share price	\$0.0070	\$0.011	\$0.007
Exercise price	\$0.015	\$0.016	\$0.01
Expected volatility (weighted average volatility)	143.12%	149.48%	146.12%
Option life (expected weighted average life)	3 years	3 years	3.1 years
Expected dividends	-	-	-
Risk-free interest rate (based on government bonds)	1.70%	1.91%	1.70%

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 16 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 Company 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

The Company has no investments and the nature of the business activity of the Company does not result in trading receivables. The receivables that the Company does experience through its normal course of business are short term and the risk of recovery of no recovery of receivables is considered to be negligible.

(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.

(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.

(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 (a).

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.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 16 Financial instruments (Cont'd)

(e) Interest rate sensitivity

A change of 50 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 remain constant.

2018	Profit or loss		Equity	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Variable rate instruments	63,024	(63,024)	63,024	(63,024)

2017	Profit or loss		Equity	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Variable rate instruments	37,959	(37,959)	37,959	(37,959)

Note 17 Dividends

No dividends were paid or proposed during the financial year.
The company has no franking credits available as at 30 June 2018.

Note 18 Key management personnel disclosures

(a) Details of Key Management Personnel

Directors

Andrew Viner	Executive Chairman
Kevin Hart	Non-executive Director and Company Secretary
Allan Kelly	Non-executive Director

(b) Compensation for key management personnel

	Carrying amount	
	2018 \$	2017 \$
Short-term employee benefits	275,000	213,704
Post-employee benefits	20,425	16,977
Share-based payment	-	50,874
Total compensation	294,425	281,555

(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.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 19 Remuneration of auditors

	2018 \$	2017 \$
Audit and review of the Group's Consolidated Financial Statements	28,458	28,555
	<u>28,458</u>	<u>28,555</u>

Note 20 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 2018 or 30 June 2017, 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 2018 or 30 June 2017.

Note 21 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 \$901,040 (2017: \$409,016).

(b) Contractual Commitment

There are no contracted commitments other than those disclosed above.

Note 22 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.

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

Note 23 Interests in joint ventures

Horse Well Farm-in Agreement

Alloy and Doray signed a binding term sheet on 25 January 2018 for the sale and purchase of equity in the Horse Well Gold Project Joint Venture ("HWJV"). The key material terms are;

Alloy has acquired an 11% HWJV interest, taking it to a 51% HWJV interest by payment of;

- \$300,000 cash, and the issue of;
- \$200,000 in AYR shares priced at 0.6 cents based on a 10 day VWAP on the effective date.

With 51% interest Alloy assumed Management of the HWJV.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 23 Interests in joint ventures (Cont'd)

Horse Well Farm-in Agreement (Cont'd)

Alloy will sole fund \$1.4 million expenditure to go to a 60% JV interest.

Doray can elect to contribute or dilute after Alloy has reached a 60% interest in the HWJV. If Doray dilutes to 5% or below then its interest will revert to a 1% NSR.

Doray retains a 'Claw-back' right if a 1.5 million ounce Mineral Resource is defined. If exercised:

- Doray must repay Alloy 3 x Exploration Expenditure to get 51%.
- Alloy 49% free-carried to completion of a BFS.

HWJV may nominate areas for a 'Small Mine' Development;

- Applicable to any Mineral Resource < 1.5 Moz with a positive Scoping Study.
- Mine Development Area separated out from HWJV into a Mining JV.
- Mining JV can elect to Mine, Process, Toll Mill or Sell.

Note 24 Events occurring after the reporting date

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

	2018	2017
	\$	\$
Loss after income tax	(161,387)	(734,436)
Depreciation	1,294	1,044
Exploration expenditure impaired	86,800	283,312
Share based payments	-	50,874
Proceeds from option agreement/tenement sales	(290,000)	(35,000)
<i>Change in operating assets and liabilities:</i>		
Decrease in receivables/prepayments	4,738	(1,977)
Increase/(decrease) in payables	(17,388)	72,504
Increase/(decrease) in employee provisions	7,381	27,616
Net cash outflow from operating activities	(368,562)	(336,063)

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2018

Note 26 Earnings per share

	2018 Cents	2017 Cents
<i>a) Basic earnings per share</i>		
Loss attributable to ordinary equity holders of the company	(0.013)	(0.085)
<i>b) Diluted earnings per share</i>		
Loss attributable to ordinary equity holders of the company	(0.013)	(0.085)
<i>c) Loss used in calculation of basic and diluted loss per share</i>		
Loss after tax from continuing operations	(161,387)	(734,436)
	2018 No.	2017 No.
Weighted average number of shares used	1,212,182,714	846,918,792

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 15.

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 15 to 40 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 2018 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) as set out in Note 1(a), 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 2018.

Signed at Perth this 27th day of September 2018.

A handwritten signature in black ink, appearing to be 'AV' followed by a long horizontal stroke.

Andrew Viner
Executive Chairman



Independent Auditor's Report

To the shareholders of Alloy Resources Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Alloy Resources Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1(a), “Going Concern” in the financial report. The conditions disclosed in Note 1(a) indicate a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group’s assessment of going concern. Our approach to this involved:

- Evaluating the feasibility, quantum and timing of the Group’s plans to raise additional shareholder funds to address going concern;
- Assessing the Group’s cash flow forecasts for incorporation of the Group’s operations and plans to address going concern, in particular in light of the history of loss making operations; and
- Determining the completeness of the Group’s going concern disclosures for the principle matters casting significant doubt on the Group’s ability to continue as a going concern, the Group’s plans to address these matters, and the material uncertainty.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current year.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Capitalised mineral exploration and evaluation expenditure (\$5,288,928)

Refer to Note 10 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Exploration and evaluation expenditure capitalised (E&E) is a key audit matter due to:</p> <ul style="list-style-type: none"> • the significance of the activity to the Group’s business and the balance (being 80% of total assets); and 	<p>Our procedures included:</p> <ul style="list-style-type: none"> • We evaluated the Group’s accounting policy to recognise exploration and evaluation assets using the criteria in the accounting standard;

<ul style="list-style-type: none"> the greater level of audit effort to evaluate the Group's application of the requirements of the industry specific accounting standard AASB 6 Exploration for and Evaluation of Mineral Resources, in particular the conditions allowing capitalisation of relevant expenditure and presence of impairment indicators. The presence of impairment indicators would necessitate a detailed analysis by the Group of the value of E&E, therefore given the criticality of this to the scope and depth of our work, we involved senior team members to challenge the Group's determination that no such indicators existed. <p>In assessing the conditions allowing capitalisation of relevant expenditure, we focused on:</p> <ul style="list-style-type: none"> documentation available regarding rights to tenure, via licensing, and compliance with relevant conditions, to maintain current rights to an area of interest and the authoritative nature of external registry sources and the Group's intention and capacity to continue the relevant E&E activities; and the Group's determination of whether the E&E are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale. <p>In assessing the presence of impairment indicators, we focused on those that may draw into question the commercial continuation of E&E activities for the Horse Well Gold Project and Ophara Cobalt Gold Project where significant capitalised E&E exist. In addition to the assessments above, and given the financial position of the Group we paid particular attention to:</p> <ul style="list-style-type: none"> The ability of the Group to fund the continuation of activities; and 	<ul style="list-style-type: none"> We assessed the Group's determination of its areas of interest for consistency with the definition in the accounting standard. This involved analysing the licenses in which the Group holds an interest and the exploration programmes planned for those for consistency with documentation such as joint venture agreements and planned work programmes; For each area of interest, we assessed the Group's current rights to tenure by corroborating the ownership of the relevant license to government registries and evaluating agreements in place with other parties. We also tested for compliance with conditions, such as minimum expenditure requirements, on a sample of licenses; We tested the Group's additions to E&E for the year by evaluating a statistical sample of recorded expenditure for consistency to underlying records, the capitalisation requirements of the Group's accounting policy and the requirements of the accounting standard; We evaluated Group documents, such as minutes of Board meetings, for consistency with their stated intentions for continuing E&E in certain areas. We corroborated this through interviews with key operational and finance personnel; We analysed the Group's determination of recoupment through successful development and exploitation of the area or by its sale by evaluating the Group's documentation of planned future/continuing activities including work programmes and project and corporate budgets for each area(s); and We obtained the corporate budget identifying areas with existing funding and those requiring alternate funding sources. We compared this for consistency with areas with E&E, for evidence of the ability to fund continued activities. We identified those areas relying on alternate funding sources
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- results from latest activities regarding the existence or otherwise of economically recoverable reserves.

and evaluated the capacity of the Group to secure such funding.

Other Information

Other Information is financial and non-financial information in Alloy Resources Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and



- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Alloy Resources Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Matthew Beevers

Partner

Perth

27 September 2018