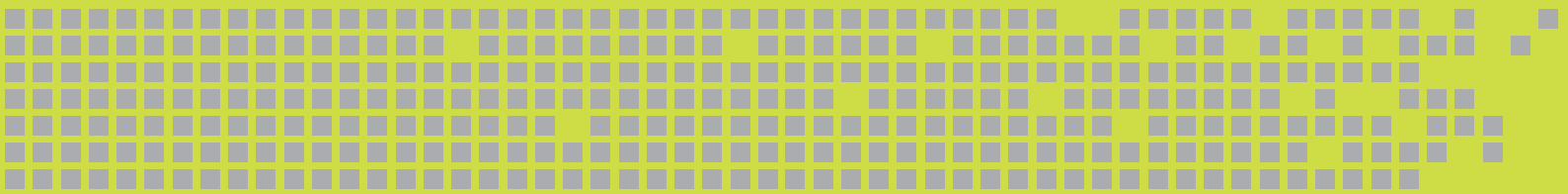


ANNUAL REPORT





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Corporate Directory

Directors

John S F Dunlop

Chairman

Patrick R Mutz

Managing Director

Ian J Gandel

Director

Tony D Lethlean

Director

Chief Executive Officer

Steve F Johnston

Company Secretary

Ian C Pamensky

Manager Finance & Company Secretary

Principal & Registered Office

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PKF

Chartered Accountants

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Share Registry

Computershare Investor Services

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Melbourne, Vic 3001

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Facsimile +61 3 9473 2500

ASX Code

AGS



CHAIRMAN'S LETTER TO SHAREHOLDERS

The past 12 months has been the most challenging period in the history of your Company.

Arising out of our flagship Four Mile Uranium Project in South Australia, Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE) instituted three separate legal proceedings against Quasar Resources Pty Ltd (Quasar) and/or Quasar and its affiliate, Heathgate Resources Pty Ltd (Heathgate), two in the Supreme Court of South Australia and one in the Federal Court of Australia. ACE instituted a further legal proceeding in the Federal Court against Quasar and Heathgate subsequent to year end. Details of these proceedings are set out in the Directors' Report.

In addition, as a native title mining agreement is still to be registered, a mining lease cannot be issued and work on the Project has had to be scaled down.

Since lodging the first of the legal proceedings, Alliance has:

- Completed an updated mineral resource estimate for the Four Mile West (FMW) uranium deposit project development, resulting in 16% increase in the total resource base at FMW to 5.7 million tonnes @ 0.34% uranium oxide (U_3O_8) containing 42 million lb of U_3O_8 . The total Indicated and Inferred mineral resource estimate for the Four Mile Uranium Project has increased to 9.8 million tonnes @ 0.33% uranium oxide (U_3O_8) containing 71 million lb of U_3O_8 , classified in accordance with the JORC Code. This expanded resource underpins Four Mile as both a high-grade mineralized system with a long-term production potential. This expanded resource underpins Four Mile as both a high-grade mineralized system and a long-term project.
- Commissioned and received the Scoping Study report across a range of capital and operating cost estimates for a matching range of production scenarios at Four Mile. The report indicates to Alliance that Four Mile offers a significantly greater economic return if developed as a stand alone project with a production rate of approximately 5 million pounds per annum.
- Commissioned an optimization study for the design, capital and operating cost estimates for a 5 million pound per annum standalone plant at the Four Mile project to an order of accuracy of +/-25%.

At the Maldon Gold Project in Victoria, Alliance entered into an agreement under which Drummond Gold Limited (Drummond) was to acquire the shares in its wholly owned subsidiary Maldon Resources Pty Ltd from Alliance. That agreement terminated in March 2010 as Drummond was unable to satisfy the conditions precedent to the sale. Alliance has since received a number of indications from third parties expressing interest in Maldon which it is currently evaluating.

On behalf of the Board of Directors, we thank our shareholders for their continued support and patience during this difficult time and look forward to both a positive outcome, a timely resolution to our issues and to rapid production thereafter from our uranium project in South Australia.



John Dunlop
Chairman



EXECUTIVE SUMMARY

Activities:	Uranium, gold, copper and base metals exploration and development
Issued Capital:	341.2 million shares and 8.2 million unlisted options ⁽¹⁾
Market Capitalisation:	\$114.3 million ⁽²⁾
Cash reserves:	\$38.4 million ⁽³⁾
Top 20 shareholders:	56.8% ⁽⁴⁾
ASX Code:	AGS

(1), (2), (3) At 15 September 2010

(4) At 30 June 2010

Company Objective

Maximise shareholder wealth through successful exploration and responsible, sustainable & profitable development of mineral deposits.

Corporate Strategy

- Realise the full potential of the Four Mile Uranium Project;
- Realise shareholder value from the Company's assets;
- Establish a platform for the Company's growth

Alliance is an emerging Australian uranium and gold producer with a portfolio of projects in South Australia, Victoria and New South Wales.

FOUR MILE URANIUM PROJECT (Alliance 25%)

The Four Mile Uranium Project area is located 550 kilometres north of Adelaide in South Australia. Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE) is the registered holder of 25% of EL3666. Quasar Resources Pty Ltd (Quasar) is the registered holder of the remaining 75% and is the manager of the Project.

During the year ended 30 June 2010, ACE instituted three separate legal proceedings against Quasar Resources Pty Ltd (Quasar) and/or Quasar and its affiliate, Heathgate Resources Pty Ltd (Heathgate), two in the Supreme Court of South Australia and one in the Federal Court of Australia. ACE instituted a further legal proceeding against Quasar and Heathgate subsequent to year end. Details of these proceedings are set out in the Directors' Report.

Four Mile Development

As a native title mining agreement is still to be resolved, a mining lease cannot be issued and work on the Project continues on a scaled down basis.

The following additional information in relation to progress at Four Mile has been provided by Quasar and has been extracted from its monthly reports during the reporting period.

A draft operations Mining and Rehabilitation Program remains with PIRSA and other regulators for comment. The draft Radiation Management Plan and the draft Radioactive Waste Management Plan remain with the Radiation Protection Branch of the EPA for review and comment.

Four Mile East - First Stage Mining Area

- *There were no monitoring well activities.*
- *No delineation holes were drilled. A total of 146 delineation holes have been drilled for the Project to date.*
- *No wells were drilled. There a total of 135 first stage completions for the Project to date.*
- *No wells were screened. There a total of 135 second stage completions for the Project to date.*
- *One hundred and thirty five wells for the Project have been airlifted to date.*
- *No integrity tests were carried out. There are 117 wells for the Project that have been integrity tested to date.*

Four Mile West

- *No delineation holes were drilled.*
- *No wells were drilled. There are 12 first stage completions for the Project to date.*
- *No wells were screened. There are 12 second stage completions for the planned Field Leach Trial (FLT).*
- *Twelve wells for the Project have been airlifted for the planned FLT.*
- *No integrity test was carried out. There are 3 wells for the Project that have been integrity tested to date.*

Engineering

Engineering activities during the reporting period included: finalising electrical and instrumentation drawings, finalising receipt of vendor data, procurement and invoicing and receipt of vendor data. The second of the two acid tanks and the final two pre-assembled modules were delivered to site along with all associated steelwork and

access platforms. The five sorption columns were delivered into storage in Adelaide. The third and final batch of 150m³ of ion-exchange resin was received into cold storage in Adelaide. Various fabricated equipment, pre-assembled modules and consumables continued to be delivered into storage in Adelaide, or to Beverley site, as appropriate.

No construction activities occurred during the reporting period.

Independent Scoping Study

On 28 July 2010 (post reporting), Alliance announced details of the final Scoping Study report prepared by Como Engineers Pty Ltd and Adelaide Control Engineering Pty Ltd (Como-ACE) in relation to the capital cost estimate for the design, procurement and construction of an In-Situ Recovery (ISR) and uranium processing facility, including related infrastructure, at the Four Mile Uranium Project in South Australia as well as estimating the ongoing operating costs of the facility. The study was aimed at identifying capital and operating costs, including preparation of financial modelling, for the plant and infrastructure to an order of accuracy of $\pm 30\%$ using all new equipment for:

- a. 3 million pound per annum (Mlbpa) stand alone ISR plant including all associated infrastructure
- b. 5Mlbpa stand alone ISR plant including all associated infrastructure
- c. 7Mlbpa stand alone ISR plant including all associated infrastructure
- d. 3Mlbpa satellite ISR (satellite) plant utilizing existing infrastructure at nearby Beverley Site
- e. 3Mlbpa stand alone Resin in Pulp plant.

REVIEW OF OPERATIONS

The Scoping Study cost estimates indicate to Alliance that the Four Mile Project offers a significantly greater return if developed as a stand alone project with a production rate of approximately 5 million pound per annum and, as previously announced, Alliance is commissioning an optimization study for the design, capital and operating cost estimates for a 5 million pound per annum standalone plant at the Four Mile project to an order of accuracy of +/-25%.

Exploration

During the reporting period, Quasar reported that 22 rotary mud holes were drilled for a total of 3,964 metres at Four Mile West.

Mineral Resources

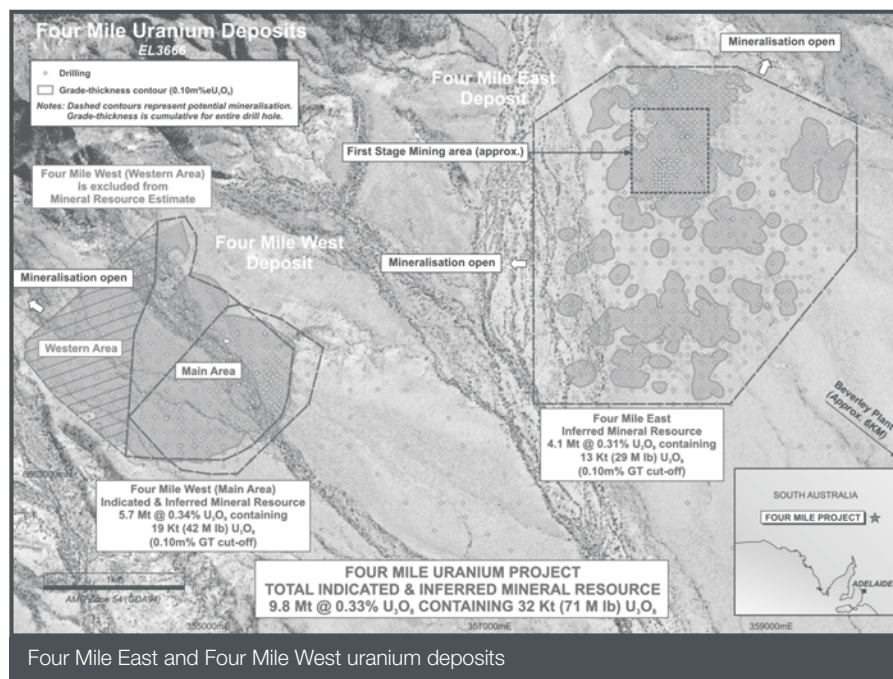
During the reporting period, Alliance Resources Limited (Alliance) announced that the total Inferred + Indicated mineral resource estimate for the Four Mile Uranium Project had increased by more than 16% to 9.8 million tonnes @ 0.33% uranium oxide (U_3O_8) containing 71 million lb of U_3O_8 , classified in accordance with the JORC Code.

This 16% increase in the total resource base is due to an updated Inferred + Indicated mineral resource estimate for the Four Mile West (FMW) deposit of 5.7 million tonnes @ 0.34% uranium oxide (U_3O_8) containing 42 million lb of U_3O_8 . Refer Table 1.

Table 1 - Four Mile Uranium Project - Mineral Resource Estimate*

Deposit	GT Cut-off m%	Ore Mass tonnes	U_3O_8 %	U_3O_8 Tonnes	U_3O_8 Mlb	JORC Classification
Four Mile West	0.10	4,100,000	0.34	14,000	32	Indicated
Four Mile West	0.10	1,500,000	0.31	4,700	9	Inferred
Four Mile West	0.10	5,700,000	0.34	19,000	42	
Four Mile East	0.10	4,100,000	0.31	13,000	29	Inferred
TOTAL	0.10	9,800,000	0.33	32,000	71	

*These estimates are classified in accordance with the Joint Ore Reserves Committee Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition) (JORC Code). Minor apparent multiplication mismatches are due to post-computational rounding of all entries to 2 significant figures.



Background: An initial Inferred mineral resource of 3.9 million tonnes @ 0.37% uranium oxide (U_3O_8) containing 32 million lb of U_3O_8 was announced for FMW on 8 May 2007, when drill spacing was approximately 100 m square. Subsequently, an initial Inferred mineral resource of 4.1 million tonnes @ 0.31% U_3O_8 containing 29 million lb of U_3O_8 was announced for Four Mile East (FME) on 25 June 2009, when drill spacing for that deposit was in the range 50-100 m square.

With approximate doubling of defining drill holes at FMW from 200 to 400, including both expansion to the west and significant infill, it was considered appropriate to update the FMW deposit estimate.

Resource estimates were made at a number of grade x thickness (GT) cut-offs, applied to drill intercepts of 0.5 m minimum thickness and 0.05% minimum U_3O_8 grade, with up to 1 m of internal dilution allowed. The intercept parameters are the same as those used for prior resource estimates at FMW/FME and similar to those used at Beverley, but varied slightly to match the individual geometry of these deposits.

For 0.10 m% U_3O_8 GT cut-off, the total updated Inferred and Indicated Mineral Resource at FMW is:

5.7 million tonnes @ 0.34% U_3O_8 containing 19,000 t (42 million lb) of U_3O_8 at 1.9 m average thickness and 0.65 m% U_3O_8 GT in each of two superposed layers. A dry bulk density of 1.85t/m³ was used for the conversion of volume to tonnes.

All mineral resource estimates to-date at Four Mile have been addressed as amenable to In Situ Recovery (ISR) as the only mining method. However, at FMW, additional mineralization has been identified above or within about 20m of the water table in the western area, which has the potential to add to the FMW mineral resources, if this mineralisation is proved recoverable by ISR or mineable by other means.

Significant potential exists for expansion of the mineral resource base with further evaluation and estimation of a mineral resource for the western area mineralisation at FMW and with additional drilling, at:

- FMW where mineralization remains open to west with several hundred metres of untested ground to a sub vertical faulted contact with outcropping crystalline basement
- FME where mineralisation remains open to the west and northeast, and
- Approximately 30 kilometres of largely untested range-front within joint venture tenement where the younger cover sequences contact the crystalline basement

MALDON GOLD PROJECT (Alliance Resources 100%)

The Maldon Gold Project is located 30 km southwest of Bendigo in central Victoria. The Union Hill decline and the processing plant remained on care and maintenance during the year.

In October 2009 Alliance entered into an agreement under which Drummond Gold Limited (Drummond) was to acquire the shares in Maldon Resources Pty Ltd from Alliance. That agreement terminated in March 2010 as Drummond was unable to satisfy the conditions precedent to the sale.

Alliance has since received a number of indications from third parties expressing interest in Maldon which it is currently evaluating.

CORPORATE

During the reporting period, Alliance announced it had completed the allotment of the non-renounceable rights issue (Rights Issue) shares and placement of the entire rights issue shortfall (Shortfall Placement) pursuant to a prospectus dated 27 May 2009. The Shortfall Placement raised an additional A\$8.5 million before costs. The total funds raised from the Share Placement, the Rights Issue and Shortfall Placement was A\$44.7 million (before costs).

The Company now has 341,172,309 ordinary shares and 8,200,000 unlisted options on issue.

Proceeds of the capital raised will be principally used at the Four Mile Uranium Project in South Australia to fund the Company's 25% share of project development and operating costs for uranium concentrate production and ongoing exploration commitments at Alliance's other projects and corporate administration costs.

Competent Person's Statement

The information in this report that relates to Mineral Resources for the Four Mile Uranium Project is based on information compiled by Mr Ken Bampton who is a corporate member of both the Australian Institute of Geoscientists and The Australasian Institute of Mining and Metallurgy. Mr Bampton trades as Ore Reserve Evaluation Services. Mr Bampton has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bampton has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results for the Maldon Gold Project, the Warrina Copper-Gold Project and the East Frome Copper-Gold-Base Metals Project is based on information compiled by Mr Stephen Johnston who is a corporate member of the Australasian Institute of Mining and Metallurgy. Mr Johnston is a full-time employee of the Company. Mr Johnston has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Johnston consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



DIRECTORS' REPORT

The Directors present their report on the consolidated entity of Alliance Resources Limited (ASX Code: AGS) and the entities it controlled at the end of or during the year ended 30 June 2010.

Directors

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

JSF Dunlop (Chairman)

IJ Gandel

AD Lethlean

P Mutz (resigned as a Director on 31 August 2010)

Particulars of Directors

John Stuart Ferguson Dunlop

Independent Non-executive Chairman

(Appointed a Director on 30 November 1994 and Chairman on 9 September 1998)

BE(Min), MEng Sc(Min), P Cert Arb., FAusIMM(CP), FIMMM, MAIME, MCIMM

John Dunlop (60) is a consultant mining engineer with close to 40 years surface and underground mining experience both in Australia and overseas spanning more than 25 countries.

John is a former director of the Australasian Institute of Mining & Metallurgy (AusIMM) (2001-2006) but continues as Chairman of its affiliate, the Mineral Industry Consultants Society (MICA). He is also chairman of Alkane Resources Ltd (appointed 4 July 2006), Chairman of Drummond Gold Ltd (appointed 1 August 2007, retired 9 July 2010), non-executive director of Gippsland Ltd (appointed 1 July 2005) and non-executive director of Copper Strike Limited (appointed 9 November 2009). Former public company directorships in the previous three years are: Drummond Gold Ltd (former Chairman and non-executive Director from 1 August 2007 to 9 July 2010) and Encore Metals NL (Non-executive Director from November 1999 to November 2006). John is a member of the Alliance Resources Limited Nominations, Remuneration and Audit & Risk (appointed 5 August 2010) Committees.

Ian J Gandel

Non-independent Non-executive Director

(Appointed 15 October 2003)

LLB, BEc, FCPA, FAICD

Ian Gandel (53) is a Melbourne businessman with extensive experience in retail management and retail property. He has had an involvement in the construction and leasing of Gandel shopping centres and has been a director of Gandel Retail Trust.

He has previously been involved in the Priceline retail chain and the CEO of a chain of serviced offices. Ian has been an investor in the

mining industry since 1994, and is currently a substantial shareholder of a number of publicly listed Australian companies and now holds and explores tenements in his own right in Victoria and Western Australia.

Ian is also a non-executive director of Alkane Resources Ltd (appointed on 25 July 2006) and the non-executive Chairman of Gippsland Ltd (appointed on 24 June 2009). Ian is a member of the Alliance Resources Limited Nominations, Remuneration and Audit & Risk (appointed 5 August 2010) Committees.

Anthony D Lethlean

Independent - Non-executive Director

(Appointed 15 October 2003)

BAppSc(Geology)

Tony Lethlean (47) is a geologist with over 10 years mining experience specializing in underground operations, including Kalgoorlie's Golden Mile (WMC & KCGM) and Bellevue (Plutonic, now Barrick Gold Corporation). For over ten years he has been in banking and stock broking, including the global mining group at CIBC World Markets.

Mr Lethlean is currently a Director of boutique investment banking firm, Helmsec Global Capital Limited focusing on the resources sector. Mr Lethlean is also a non-executive director of Alkane Resources Ltd (appointed 30 May 2002).

Mr Lethlean is Chairman of the Alliance Resources Limited Audit & Risk, Remuneration and Nomination Board Committees.

Patrick Mutz

Non-independent Non-executive Director

(Appointed a Non-executive Director on 11 August 2008, and Managing Director from 1 December 2008 to 28 February 2010, and continued as a Non-executive Director from 1 March 2010 to 31 August 2010)

BS/BM (Hons), MBA/GM, FAusIMM, MSME, REM/NREP(USA), MAICD

Patrick Mutz (52) has more than 30 years of industry experience within the international uranium mining industry across executive, managerial and technical roles in the United States, Germany and Australia. He was until November 2006 the Managing Director of Operations at Heathgate Resources Pty Ltd in South Australia. Heathgate is an affiliate of General Atomics, USA, and is the owner and operator of the Beverley Uranium Mine in South Australia. Patrick was responsible for all aspects of Heathgate's operations in Australia including affiliate Quasar Resources' exploration activities.

Mr Mutz is a Registered Environmental Manager (REM) through the National Registry of Environmental Professionals (NREP) in the USA and holds a Masters of Business Administration in Global Business

Management (MBA/GM) from the University of Phoenix, as well as a Bachelor of Science in Business Management (BS/BM) with honours. He is a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM), a 25+ year member of the Society for Mining, Metallurgy and Exploration (SME) and a member of the Australian Institute of Company Directors (AICD). Patrick was also the Managing Director of Uranium Exploration Australia Limited until November 2008 and is currently Managing Director of Deep Yellow Limited (appointed 1 March 2010).

Company Secretary

Ian C Pamensky

(Appointed 15 October 2003)
B Comm., B Compt. (Hons), CA, F Fin

Ian Pamensky (42), is a Chartered Accountant with over 17 years of experience in accounting, audit, corporate finance, treasury & company secretarial roles. For the last 10 years Ian has worked within the resources sector for various ASX listed companies. Prior to this Ian spent over 4 years in audit in both South Africa and Australia and worked for a medium sized manufacturing & wholesale company.

Mr Pamensky is an Affiliate member of Chartered Secretaries Australia.

Principal Activities

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

Consolidated Results

The consolidated loss for the year after income tax was \$4,842,790 (2009: loss of \$22,895,501).

Loss per share

	2010	2009
	Cents	Cents
Basic loss per share from Continuing Operations	(1.124)	(1.413)
Basic loss per share from Discontinuing Operations	(0.298)	(6.888)
Diluted loss per share from Continuing Operations	(1.124)	(1.413)
Diluted loss per share from Discontinuing Operations	(0.298)	(6.888)

Review of Operations

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

Significant Changes in the State of Affairs

Over the past financial year the following significant changes have occurred:

Four Mile Uranium Joint Venture, South Australia (Alliance Craton Explorer Pty Ltd 25%)

During the year ended 30 June 2010, the following legal actions were initiated by Alliance's wholly owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE) against Quasar Resources Pty Ltd (Quasar) and its affiliate, Heathgate Resources Pty Ltd (Heathgate):

Recording JV Meetings (Jurisdiction: Supreme Court of South Australia)

- ACE issued proceedings against Quasar on 13 October 2009 in order to test its right to record proceedings of joint venture management committee meetings because it considered the written records of meetings prepared by Quasar to be inaccurate and not to properly reflect the matters, concerns and views expressed by ACE. ACE believes that a proper record is necessary to protect its legal and commercial interests.
- The matter was heard 18 and 19 May and 9 and 10 June before Sulan J and judgment was delivered on 27 August 2010.
- Sulan J found that the law did not prohibit Alliance taping the meetings but the chairman of the meeting had power to rule that Alliance may not tape meetings and the management committee had power to pass a resolution banning taping of meetings.
- Although Alliance considers that it has grounds to appeal the decision the Board has determined not to do so.

Native Title Mining Agreement (Jurisdiction: Supreme Court of South Australia)

- On 12 November 2009 ACE issued proceedings against Quasar and Heathgate seeking:
 - ▲ a declaration that Quasar exceeded and breached its authority, acted in breach of its fiduciary obligations and acted in breach of its contractual obligation of good faith in signing a native title mining agreement (NTMA) for the Four Mile Project in the form negotiated by Quasar;
 - ▲ a declaration that Heathgate knowingly participated in the breaches referred to above;
 - ▲ an order requiring Quasar and Heathgate to execute a deed, in a form previously submitted to Quasar, which places Alliance in substantially the position it would have been in had the NTMA related only to the Four Mile Project or, in the alternative a mandatory injunction requiring Quasar to commence negotiating a new native title agreement which relates only to Four Mile; and
 - ▲ damages and costs.

● Background

- ▲ Acting as manager of the joint venture, Quasar purported to sign a NTMA on behalf of ACE and submitted it to Primary Industries and Resources South Australia (PIRSA) for registration on 12 June 2009. As the NTMA purports to subsume the existing native title mining agreement for Heathgate's Beverley mine, it exposes Alliance to potential cross liabilities for matters relating to Beverley. Further, it gave Heathgate the right to make decisions for the Four Mile joint venturers without reference to them.
- ▲ Neither ACE nor Alliance were consulted or involved in the negotiations with the native title holders. Alliance contends that Quasar was not duly authorised to execute the NTMA on behalf of ACE and, in doing so, exceeded its authority.
- ▲ In spite of repeated attempts by Alliance to achieve a mutually satisfactory resolution that would facilitate the timely registration of the NTMA the parties were, and continue to be, unable to reach agreement.
- ▲ Orders were made, by consent, on 27 July 2010 for further disclosure of documents. The matter is listed for mention on 30 September 2010.

■ Access to books, records and agreements pertaining to the Four Mile Joint Venture (Jurisdiction: Federal Court of Australia (Adelaide))

- ACE issued proceedings against Quasar and Heathgate for an order, by way of pre-action discovery, giving ACE access to books, records and agreements pertaining to the Four Mile joint venture.
- Background
- On 9 October 2009 ACE formally requested Quasar and Heathgate to provide ACE with access to joint venture documentation. While Quasar agreed to provide copies of some records, ACE considered its response to be inadequate. Alliance believes it should be permitted to have access to all joint venture documentation. Heathgate, which Alliance believes holds joint venture documents in its capacity as "proposed mine manager", elected not to respond to the request. It is anticipated that access to the joint venture books, records and agreements will enable Alliance to analyse and better understand the original and revised programs and budgets for Four Mile.
- Proceedings issued on 16 November 2009. and the application was heard on 22-23 February. ACE is currently waiting for judgment to be delivered.
- Alliance reported that the total Inferred + Indicated mineral resource estimate for the project had increased by more than 16% to 9.8 million tonnes@ 0.33% uranium oxide (U3O8)

containing 71 million lb of U3O8, classified in accordance with the JORC Code.

- Alliance directly capitalised \$7,751,876 million towards the cost of development of the Four Mile East project during the financial year (\$14.331 million project-to-date), including a cash call for \$138,003 that was received on 30 June 2010.

Maldon Gold Project, Victoria (Maldon Resources Pty Ltd 100%)

- The Union Hill decline and the processing plant remained on care and maintenance during the year.
- The Share Sale Agreement by which Drummond Gold Limited (Drummond) was to acquire Maldon Resources Pty Ltd (Maldon) from Alliance expired as Drummond was unable to satisfy the condition precedent to the Agreement.
- Alliance has received a number of indications from third parties expressing interest in Maldon which it is currently evaluating.
- The project continues to be classified as held for sale in the consolidated statement of financial position.

East Frome Copper-Gold-Base Metals Project, New South Wales (Alliance (NSW) Pty Ltd 100%)

- Nothing to report.

Warrina Copper-Gold Project, South Australia (Alliance (SA) Pty Ltd 100%)

- Nothing to report.

Corporate

- Alliance completed a capital raising in August 2009 with additional capital of A\$ \$44,684,901 (before costs) being raised from a combination of a Placement and Rights Issue of a total of 67.3 million ordinary shares, including placement of Rights Issue Shortfall. The proceeds of capital raised have been used principally to fund the Four Mile Uranium Joint Venture in South Australia to satisfy the Company's 25% share of project development and operating costs at Four Mile for uranium concentrate production.
- Mr Patrick Mutz resigned as Managing Director effective 28 February 2010 and subsequently resigned as a non-executive director effective 31 August 2010.
- Alliance has 341,172,309 ordinary shares and 8,200,000 unlisted options on issue and cash reserves of \$38,429,069 at 30 June 2010.

Likely Developments

The Company reasonably expects the following activities to occur over the next 12 months:

Four Mile Uranium Joint Venture, South Australia (Alliance 25%)

- Due to the current legal proceedings and the delay in the issue of the mining lease, the Company is not in a position to make forecasts about the Four Mile Uranium Project.

Maldon Gold Project, Victoria (Alliance 100%)

- Divestment of the Maldon Gold Project.

East Frome Copper-Gold-Base Metals Project, New South Wales (Alliance 100%)

- Exploration comprising further geophysics and, if warranted, drill testing of favourable targets.

Warrina Copper-Gold Project, South Australia (Alliance 100%)

- Continue to seek a joint venture partner for this project.

Dividends - Alliance Resources Limited

Alliance is currently in exploration and at the beginning of the development phase. Accordingly, no dividends have been declared or paid during the financial year ended 30 June 2010 and the Directors have not recommended that any dividend be paid.

Matters Subsequent to the End of Financial Year

Other than those matters described below, since 30 June 2010, the Directors are not aware of any matter or circumstance that has significantly or may significantly affect the operations of the consolidated entity or the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Four Mile Uranium Joint Venture, South Australia (Alliance 25%), the Company reported:

■ **Misleading and Deceptive Conduct (Jurisdiction: Federal Court of Australia (Melbourne))**

- On 12 July 2010, Alliance announced that ACE had issued further proceedings against Quasar and Heathgate seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile area (EL 3666) from Quasar arising from Quasar's and Heathgate's failure to disclose to ACE information concerning the prospectivity of part of that tenement. ACE contends that Quasar engaged in misleading or deceptive conduct in contravention of section 52 of the Trade Practices Act 1974 (Cth) and section 9 of the Fair Trading Act 1999 (Vic) and that Heathgate assisted or participated in the contraventions committed by Quasar. ACE also contends that Quasar - with the assistance or participation of Heathgate - breached its

obligations under the Joint Venture Agreement, its fiduciary obligations owed to ACE and misused confidential information when Quasar sought, and obtained, a one-year extension of the earn-in period and, subsequently, the transfer of a 75% interest in the exploration licence. As the statement of claim contains confidential information which, under the joint venture agreement with Quasar, ACE is obliged not to disclose, by consent, the Court has ordered that the statement of claim and the defences and reply (which are yet to be filed) be treated as confidential until further order.

- The documents were filed on 12 July, 2010. Quasar and Heathgate each delivered its defence on 16 September, 2010.

Corporate

- Mr Patrick Mutz resigned as a non-executive director effective 31 August 2010.
- Maldon Gold Project - Alliance has entered into discussions with newly formed Octagonal Resources Limited, which is looking to consolidate a number of projects in central Victoria, with Maldon as a production hub. No terms of sale have yet been agreed and, if the sale were to proceed, shareholder approval will be sought.

Share Price

The Alliance share price traded in the following range during the 2010 financial year

- High - \$0.98
- Low - \$0.28

The closing price on 30 June 2010 was \$0.285c per share.

Since 30 June 2010 the share price has traded between \$0.28 and \$0.52 per share. At 27 September 2010 the share price was \$0.48.

Directors' Interests in Shares and options

The interests of the Directors in ordinary shares and options in Alliance Resources Limited at the date of this report are as follows:

Director	Ordinary shares	Unlisted Options
John Dunlop	6,715,938	1,000,000 ⁽²⁾
Patrick Mutz	96,218 ⁽¹⁾	2,000,000 ⁽³⁾
Tony Lethlean	1,650,000	1,000,000 ⁽²⁾
Ian Gandel	87,875,150	1,000,000 ⁽²⁾

Notes:

- (1) Shares held at the date of resignation from the Board:
- (2) Unlisted Options over Ordinary Shares - Issued on 29 November 2007, Expiry 31 October 2010 and Exercise Price - \$1.60.
- (3) Unlisted Options over Ordinary Shares - Issued on 1 December 2008, Expiry 31 October 2011 and Exercise Price - 1,000,000 at \$1.00 and 1,000,000 at \$1.20. Unless exercised these options will be cancelled 30 September 2010, one month after resignation as a Non-Executive Director.

Meetings of Directors

The following sets out the number of meetings of the Company's directors held during the year ended 30 June 2010 and the number of meetings attended by each director.

There were eight (8) Directors' meetings, three (3) Audit Committee meetings, two (2) Remuneration and (1) Nomination Committee meetings held during the financial year.

The number of meetings attended by each director during the year (while they were a director or committee member) is as follows:

Director	Full Meeting of Directors	Audit Committee Meeting ⁽³⁾⁽⁵⁾	Remuneration Committee Meeting ⁽²⁾⁽⁴⁾	Nominations Committee Meeting ⁽²⁾⁽⁴⁾
Number of meetings held:	8	3	1	2
Number of meetings attended by ⁽¹⁾ :				
Mr J Dunlop	7	N/A	1	2
Mr P Mutz	8	N/A	N/A	N/A
Mr I Gandel	7	N/A	1	1
Mr A Lethlean	8	3	1	2

Notes:

- (1) Including remote attendance via teleconference
- (2) The Remuneration & Nomination Committee Charters were adopted by the Board on 8 September 2009.
- (3) Other individuals who regularly attended meetings were: Patrick Mutz (Managing Director to 28 Feb 2010), Ian Pamensky (Manager Finance and Company Secretary), David Garvey (Partner, PKF) and Wai Aw (Senior Manager, PKF)
- (4) Other individuals who regularly attended meetings were: Patrick Mutz (Managing Director to 28 Feb 2010) and Ian Pamensky (Manager Finance and Company Secretary).
- (5) Effective 1 July 2010 the Board restructured the Audit Committee to comply with ASX Corporate Governance Recommendation 4.2. The Committee now comprises 3 non-executive members, two of whom are independent directors. Mr Tony Lethlean is the independent Chairman of the Committee and Mr John Dunlop and Mr Ian Gandel have joined the committee.

Remuneration Report (Audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of Alliance Resources Limited's directors and senior management (Key Management Personnel) for the financial year ended 30 June 2010.

The prescribed details for each person covered by this report are detailed below under the following headings:

- a) Directors and senior management details
- b) Remuneration policy
- c) Details of remuneration of directors and executives
- d) Service agreements
- e) Share based remuneration
- f) Relationship between remuneration policy and company performance

(a) Directors and senior management details

The following persons acted as directors of the company during the financial year:

Mr J Dunlop (Chairman)

Mr P Mutz (Managing Director until 28 February 2010, Non-executive director from 1 March)

Mr I Gandel (Non-executive Director)

Mr A Lethlean (Non-executive Director)

Mr P Mutz joined the Company on 11 August 2008 as a non-executive Director and was appointed Managing Director on 1 December 2008. He resigned as Managing Director on 28 February 2010 but remained on the board as a Non-executive Director until his resignation effective 31 August 2010.

The term "senior management" is used in this Remuneration report to refer to the following persons:

Mr S Johnston (General Manager until 28 February 2010; appointed interim Chief Executive Officer effective 1 March 2010)

Mr I Pamensky (Manager Finance and Company Secretary)

Mr J Fothergill (Maldon Site Manager)

The persons named above held their current positions for the whole of the financial year and since the end of the financial year unless otherwise disclosed.

(b) Remuneration policy

The Board's policy for remuneration of Directors and Executives is detailed below:

The Board reviews remuneration of executives, and non-executive and Executive Directors annually. Remuneration packages are set at levels intended to attract and retain Directors and executives capable of managing the Company's operations and adding value to the Company.

Other than the unlisted options that were granted during the 2006 and 2008 financial years as a retention and performance incentive to non-executive Directors and during the 2009 financial year to the Managing Director, there are no other elements of Director or executive remuneration that are performance based. The Company set up a formal Remuneration and Nomination Committees in September 2009. The Board is fully informed on all Director and executive appointments and remuneration. Until the establishment of the Remuneration Committee, the Board of Directors discussed all matters relating to remuneration at their regular Board Meetings.

Remuneration of non-executive Directors is determined by the Board within the maximum amount approved by the shareholders from time to time. Director's fees to the Chairman and non-executive directors were set at a maximum for all non-executive directors collectively of \$400,000 per annum at the Alliance Annual General Meeting in November 2009.

Remuneration packages contain the following key elements:

- Primary benefits – salary/ fees;
- Post-employment benefits including superannuation; and
- Equity including share options granted.

Until September 2009 the Remuneration of Directors and executives was based on recommendations by the Board. These recommendations were based on externally prepared reports by remuneration consultants and by considering remuneration practices of peer companies and were not based on Company performance. In September 2009 the Company formed a Remuneration Committee to make future recommendations on Director and executive remuneration to the Board.

Options issued to Directors and executives have been valued using the Binomial method and are not linked to Company performance. In the past options have been issued to Directors and executives as a retention incentive and to compensate for work undertaken and for assuming the responsibilities of being a Director or executive, based on industry practices in small listed companies in the resources sector. Allocation and vesting of options is not directly linked to Company performance because of difficulties in assessing corporate performance given the nature of the activities undertaken. However, options can only be exercised if the Company's share price at the date of exercise exceeds the option exercise price.

No remuneration or other benefits are paid to the Directors and executives by the subsidiaries, except for Mr J Fothergill who is employed by Maldon Resources Pty Ltd, a 100% owned subsidiary of Alliance Resources Limited.

No retirement benefits were paid to or for non-executive directors during the financial year other than superannuation contributions for Mr Mutz for the period that he was Managing Director.

(c) Details of Remuneration of Directors and executives

Three of the four persons who were Directors during the year were Non-executive Directors. The emoluments of each director were as follows:

2010	Directors fees/ cash salary \$	Consulting fees ⁽³⁾ \$	Super- annuation \$	Termination payments \$	Options issued ⁽¹⁾ \$	Total \$	% of remuneration consisting of options %
J S F Dunlop	74,760	28,875	-	-	-	103,635	Nil
P R Mutz ⁽²⁾	275,547	-	15,376	-	39,692	330,615	12.0
I J Gandel	50,000	109,325	-	-	-	159,325	Nil
A D Lethlean	50,000	24,600	-	-	-	74,600	Nil
TOTAL	450,307	162,800	15,376	-	39,692	668,175	5.9
2009							
J S F Dunlop	69,960	24,500	-	-	-	94,460	Nil
P R Mutz ⁽⁴⁾	218,281	-	19,645	-	154,308	392,234	40.0
I J Gandel	50,000	30,600	-	-	-	80,600	Nil
A D Lethlean	50,000	21,600	-	-	-	71,600	Nil
TOTAL	388,241	76,700	19,645	-	154,308	638,894	24.4

Notes:

(1) Unlisted options valued using a Binomial Valuation Model. Further details of the model inputs are included below and in Note 14 to the financial statements.

(2) Director Fees/ Cash salary include:

- Non-executive Director Fees from 1 March 2010 to 30 June 2010 \$15,291
- Cash Salary from 1 July 2009 to 28 February 2010 \$260,256
\$275,547

(3) Includes informal and formal Committee Fees and increased responsibility since the resignation of Mr. Mutz as Managing Director on 28 February 2010.

(4) Director Fees/ Cash salary include:

- Non-executive Director Fees from 11 August to 30 November 2008 \$14,114
- Cash Salary from 1 December 2008 \$204,167
\$218,281

Remuneration of Executives was as follows:

2010	cash salary \$	Consulting fees \$	Super- annuation \$	Options issued ⁽²⁾ \$	Total \$	% of remuneration consisting of options %
Mr S Johnston	235,742	-	21,217	-	256,959	-
Mr I Pamensky ⁽¹⁾	-	-	-	-	-	-
Mr J Fothergill	145,000	-	13,050	-	158,050	-
TOTAL	380,742	-	34,267	-	415,009	-
2009						
Mr S Johnston	219,633	-	19,767	110,276	349,676	31.5
Mr I Pamensky ⁽¹⁾	-	-	-	110,276	110,276	100.0
Mr J Fothergill	145,000	-	13,050	-	158,050	-
TOTAL	364,633	-	32,817	220,552	618,002	35.7

Notes:

(1) The Gandel Metals Trust employs Mr Pamensky. The Gandel Metals Trust is an entity associated with Mr I Gandel. Included in the fees paid in terms of the Gandel Metals management service agreement to the Gandel Metal Trust are professional fees paid of \$207,045 (2009: \$193,848) for accounting and company secretarial services provided by Mr Pamensky. All charges were on normal commercial terms. Refer Note 23 – Related Party Information in the Financial Report

(2) Unlisted options valued using the Binomial Valuation Models. Further details of the Model inputs are included below and in Note 14 to the financial statements.

(d) Service Agreements

Remuneration and other terms of employment for the following Directors and Executives are formalised in Service Agreements. Details of these Agreements are set out below:

Mr Patrick Mutz – Managing Director

(from 1 December 2008 until 28 February 2010)

- Term of Agreement – 24 months to 30 November 2010.
- Remuneration – Employment Cost is \$350,000 gross per annum (including superannuation). This excludes options granted and reimbursements for various expenses including parking, subscriptions and mobile phone costs.
- Employee Options – Issued 2 million unlisted Employee Options:
 - 1 million Exercisable at \$1.00 after 31 December 2008; and
 - 1 million Exercisable at \$1.20 after 31 December 2009.

Termination – Contracts are capable of termination on standard employment terms.

Mr Mutz resigned as Managing Director of the Company on 28 February 2010 and resigned as a non-executive Director with effect from 31 August 2010. In accordance with the terms of his employment agreement he was not paid any termination benefits other than statutory entitlements to unpaid annual leave and unless exercised his unlisted options expire 1 month after his resignation and are cancelled.

Mr Steve Johnston – General Manager until 28 February 2010; appointed interim **Chief Executive Officer** effective 1 March 2010

- Term of Agreement – open ended
- Remuneration – Employment Cost is \$272,500 gross per annum (including superannuation), to be reviewed. This excludes cash bonus provision, options granted and reimbursements for various expenses including parking, subscriptions and mobile phone costs.
- Termination – Contracts are capable of termination on standard employment terms, which include 3 months notice if termination by the Company (without cause) or termination by Mr Johnston. The Board retains discretion to make a payment in lieu of notice based on base salary.

Mr Jason Fothergill – Maldon Site Manager

(Appointed 21 August 2006)

- Term of contract extension – 12 Months to 31 December 2010. Remuneration Cost is \$145,000 (excluding superannuation) per annum.
- Termination – Contracts are capable of termination on standard employment terms.

(e) Share based remuneration

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

As at 30 June 2010 there were 5,000,000 (2009: 5,000,000) unlisted options issued over ordinary shares of Alliance Resources Limited granted to Directors (including the Managing Director) and 3,200,000 (2009: 3,625,000) unlisted options granted to Executives, Staff and contractors.

During December 2008, 2,000,000 unlisted options were issued to the Managing Director in terms of his contract of employment. The issue was approved at the Company's AGM on 19 November 2008.

During November 2007, 3,000,000 unlisted options were issued to Directors. The issue was approved at the Company's AGM on 29 November 2007.

During October 2007, 3,400,000 unlisted options were issued to Executives, Staff and contractors under the Employee Share Option Plan (ESOP). At 30 June 2010, 3,200,000 unlisted options remain on issue.

DIRECTORS' REPORT

The terms and conditions of the options affecting remuneration in this or future reporting periods are as follows:

Grant Date	Options not exercised at 30 June 2010	Expiry Date	Exercise Price	Value per option at grant date	Date exercisable
22 October 2007 – 3,400,000 options ⁽²⁾⁽³⁾⁽⁵⁾	3,200,000	31 Oct 2010	\$1.60	\$0.4903	50% exercisable after 30 April 2008 and 50% exercisable after 31 December 2008.
29 November 2007 – 3,000,000 options ⁽¹⁾⁽⁴⁾	3,000,000	31 Oct 2010	\$1.60	\$0.6465	50% exercisable after 31 December 2007 and 50% exercisable after 30 June 2008.
1 December 2008 – 1,000,000 options ⁽¹⁾⁽⁴⁾	1,000,000	31 Oct 2011	\$1.00	\$0.1080	exercisable after 31 December 2008.
1 December 2008 – 1,000,000 options ⁽¹⁾⁽⁴⁾	1,000,000	31 Oct 2011	\$1.20	\$0.0860	exercisable after 31 December 2009.

Notes:

(1) The terms of the above options were as follows:

- The Options were granted for no consideration.
- Options granted carry no dividend or voting rights.
- The exercise price of the Options was determined by the directors.
- Each Option converts to one ordinary share.
- The vesting date was the date that the options are able to be exercised.

(2) Options issued under the Employee Share Option Plan (ESOP) and the terms approved at the 2006 annual general meeting. The Terms of the options were as follows:

- The Options were granted for no consideration.
- Options granted carry no dividend or voting rights.

- The exercise price of the Options was determined by the directors.

- Each Option converts to one ordinary share.

- The vesting date was the date that the options are able to be exercised.

(3) The Options granted during the 2008 financial year were approved by the shareholders at the 2007 annual general meeting

(4) Options granted to the Managing Director during the 2009 financial year were approved by the shareholders at the 2008 annual general meeting. Unless exercised these options are to be cancelled on 30 September 2010 under the terms of the Options, due to the resignation of the Managing Director on 31 August 2010

(5) 200,000 unlisted options were cancelled when staff resigned from the Company in July 2009.

Details of Director and executive holdings at 30 June 2010:

Name	Balance at start of year ⁽¹⁾⁽²⁾	Granted during year ⁽²⁾	Exercised during year	Balance at end of year	% Vested
Directors					
Mr J Dunlop ⁽¹⁾	1,000,000	-	-	1,000,000	100
Mr P Mutz ⁽²⁾	2,000,000	-	-	2,000,000	100
Mr I Gandel ⁽¹⁾	1,000,000	-	-	1,000,000	100
Mr T Lethlean ⁽¹⁾	1,000,000	-	-	1,000,000	100
	5,000,000	-	-	5,000,000	
Executives					
Mr S Johnston ⁽¹⁾	1,000,000	-	-	1,000,000	100
Mr I Pamensky ⁽¹⁾	1,000,000	-	-	1,000,000	100
Mr J Fothergill	-	-	-	-	-
	2,000,000	-	-	2,000,000	

Notes:

(1) The Exercise prices of the Unlisted Options at the start of the financial year was \$1.60. The options expire on 31 October 2010

(2) The Exercise prices of the Unlisted Options issued during the financial year are \$1.00 and \$1.20. These options expire on 31 October 2011, but will be cancelled on 30 September under the terms of the Options, due to the resignation of the Managing Director on 31 August 2010.

(3) The table above only includes Unlisted Options to the Directors and Executives. Further Unlisted Options have been issued to other staff, contractors and consultants. Details of these holdings are listed below:

Name	Balance at start of year ⁽¹⁾	Granted during year	Exercised during year	Balance at end of year
Other				
Ms S Bohlin	175,000	-	(75,000)(5)	75,000
Mr J Krokowski de Vickerod	250,000	-	-	250,000
Mr P Padgett	250,000	-	-	250,000
Mr G Ebsworth	250,000	-	-	250,000
Mr L Cox	400,000	-	(150,000)(5)	250,000
Mr D Cox ⁽⁴⁾	200,000	-	(200,000)(4)	-
Mr N Thomas	100,000	-	-	100,000
	1,625,000	-	-	1,200,000

(4) Cancelled after Mr D Cox resigned from the Company in July 2009.

(5) Expired 31 October 2009

Details of Director and Executive holdings at 30 June 2009:

Name	Balance at start of year ⁽¹⁾	Granted during year ⁽²⁾	Exercised during year	Balance at end of year	% Vested
Directors					
Mr J Dunlop	1,000,000	-	-	1,000,000	100
Mr P Mutz	-	2,000,000	-	2,000,000	50
Mr I Gandel	2,000,000	-	(1,000,000)	1,000,000	100
Mr T Lethlean	1,000,000	-	-	1,000,000	100
	4,000,000	2,000,000	(1,000,000)	5,000,000	
Executives					
Mr S Johnston	1,000,000	-	-	1,000,000	100
Mr I Pamensky	1,000,000	-	-	1,000,000	100
Mr J Fothergill	-	-	-	-	-
	2,000,000	-	-	2,000,000	

Notes:

(1) The Exercise price of the Unlisted Options at the start of the financial year were 20 cents and \$1.60. The 20 cents options expired on 31 October 2008, and were all exercised before this date and the \$1.60 options expire on 31 October 2010

(2) The Exercise prices of the Unlisted Options issued during the financial year are \$1.00 and \$1.20. These options expire on 31 October 2011

(3) The table above only includes Unlisted Options to the Directors and Executives. Further Unlisted Options have been issued to other staff, contractors and consultants. Details of these holdings are listed below

Name	Balance at start of year ⁽¹⁾	Granted during year	Exercised during year	Balance at end of year
Other				
Ms S Bohlin	175,000	-	-	175,000
Mr J Krokowski de Vickerod	250,000	-	-	250,000
Mr P Padgett	250,000	-	-	250,000
Mr G Ebsworth	250,000	-	-	250,000
Mr L Cox	400,000	-	-	400,000
Mr D Cox ⁽⁴⁾	200,000	-	-	200,000
Mr N Thomas	100,000	-	-	100,000
	1,625,000	-	-	1,625,000

(4) Cancelled after Mr D Cox resigned from the Company in July 2009.

(f) Relationship between remuneration policy and company performance

The table below sets out summary information about the company's earnings and movements in shareholder wealth and key management remuneration for the five years to 30 June 2010:

Profit Performance	30 June 2010 A\$	30 June 2009 A\$	30 June 2008 A\$	30 June 2007 A\$	30 June 2006 A\$
Revenue	2,037,807	1,074,973	-	-	-
Net profit (loss) before tax	(4,842,790)	(22,895,501)	(5,397,012)	(584,715)	(1,236,070)
Net profit (loss) after tax	(4,842,790)	(22,895,501)	(5,519,020)	(462,707)	(1,236,070)
Key Management Remuneration(1)	1,083,184	1,250,771	3,288,419	766,895	690,749
Share Performance					
Share Price at start of year (cents)	68.5	135	174	25.5	5.6
Share Price at end of year (cents)	28.5	68.5	135	174	25.5
Dividends	-	-	-	-	-
Basic earnings (loss) per share (cents)	(1.422)	(8.301)	(2.078)	(0.192)	(0.592)
Diluted earnings (loss) per share (cents)	(1.422)	(8.301)	(2.078)	(0.192)	(0.592)

Notes

(1) Remuneration of directors and executives.

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

Environmental Issues

Alliance is fully committed to meeting the needs of all stakeholders.

The operations of the Consolidated Entity in Australia are subject to environmental regulations under the laws of the Commonwealth and the States in which they operate.

The only foreseeable environmental issues affecting the company relate to its exploration, mining and treatment operations.

- In Victoria, the Department of Primary Industry (DPI) has caused rehabilitation bonds to be lodged against the company's mining and exploration tenements to a total of \$734,000 (2009: \$477,500). It is expected that a further \$30,000 will be requested upon the approval of work plans for two further mining licences.
- In New South Wales, the NSW Department of Primary Industry (NSWDPI) has caused rehabilitation bonds to be lodged against the company's exploration tenements to a total of \$30,000 (2009: \$30,000).

Various government and local authority bodies control and monitor the Maldon Gold Project throughout the year and regular meetings of the Environmental Review Committee are held. This Committee comprises representatives from various government departments, local government, the local community and project management.

Through the input of the community and the various government stakeholders, Alliance has developed a Rehabilitation Plan relating to the Maldon Gold Project. Currently progressive rehabilitation is being undertaken on the Maldon Gold Project in accordance with the approved rehabilitation plan.

The company commenced construction of an exploration decline in Maldon, Maldon was subsequently put onto care and maintenance in November 2008 to focus on the Four Mile uranium project and construction of the decline was suspended.

All exploration and maintenance activities are conducted in accordance with work plans, which have been approved by the DPI.

Occupational Health and Safety

To the end of June 2010 a total of 12,557 man hours (2009: 47,324.5 man hours) have been worked without any lost time injury (LTI) on the Maldon operations.

The company has spent significant resources on developing a comprehensive Safety Management System for the Maldon Gold Project.

The company has in place Policies to cover Safety, Environmental, Return to Work, Harassment, Fitness for Work and Privacy and to ensure Quality Assurance and Control of its operations and these Policies are communicated to employees and reviewed on a regular basis.

Alliance Resources Limited is committed to protecting the environment in which we operate and the health and safety of our

employees and contractors, and others who may be affected directly or indirectly by what we do. Management considers the most important factor in the undertaking of anyone's job is the prevention of injury. The complete elimination of injuries is our ultimate goal. We strongly believe that all accidents are preventable and that a "Zero Accident" target is achievable.

Alliance Resources Limited believe that sound environmental management is integral to every aspect and stage of its operations and exploration activities. As a responsible organisation, Alliance is committed to minimising any adverse impact on the environment resulting from our exploration and mining activities.

The Company supports many initiatives in this area.

The Company is fully committed to the following principles:

- Occupational Health and Safety comes first;
- Prevention of any injuries on and off the job;
- Everyone is responsible for Occupational Health and Safety for themselves and for others;
- Every individual must identify, assess and manage potential hazards;
- Individuals will be trained and equipped to ensure an accident and incident free workplace.

The Occupational Health and Safety of all Alliance employees, contractors and suppliers remains a key priority

Insurance of Directors, Officers and Auditors

During the financial year, the company paid a premium of \$35,141 (2009: \$46,677) for a Directors and Officers Liability Policy which relates to liabilities that may arise from an officer's position, with the exception of conduct involving a breach of duty, a dishonest or fraudulent act, any act or omission committed with a reckless disregard for the consequences and any benefit from securities transactions as a result of the improper use of information.

The Company's Directors and Officers policy expires in November 2010.

The Company has not, during or since the financial year end, indemnified or agreed to indemnify an auditor of the company, or of any related body corporate against the liability incurred as an auditor.

Risk Management

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

Proceedings on Behalf of the Company

There are no proceedings on behalf of the company pursuant to section 237 of the Corporations Act 2001.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are set out in note 20 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of non-audit services did not compromise the auditors independence requirements of the Corporations Act, because of the nature and scope of each type of non-audit service and the services were provided by persons who were not involved in the audit. The decisions as to whether or not to accept the tax services, was made by the management of the Company.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 30.

Auditor

PKF Chartered Accountants continues in office in accordance with section 327 of the Corporations Act 2001.

Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors of Alliance support the principle of good corporate governance. The company's corporate governance statement is on pages 18 to 29.

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

Signed this 28th day of September 2010



JOHN DUNLOP
Chairman

CORPORATE GOVERNANCE STATEMENT

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

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 1: lay solid foundation for management and oversight			
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	<p>The first Recommendation is that the Company formalise and disclose the functions reserved to the Board and those delegated to management.</p> <p>There is clear segregation of duties between the Board and management. The role of the Board of Directors is set out in its Board Charter and includes the setting of goals, strategies and policies for the operation of the Company, to oversee the Company's management, to regularly review performance and to generally monitor the Company's affairs in the best interests of shareholders. The key responsibilities of the Board include:</p> <ul style="list-style-type: none"> ■ Providing input into, and adopting the strategic plan and budget of the Company, as prepared by management; ■ oversight of financial and operational performance against the strategic plan and budget; ■ approving and monitoring the progress of all material acquisitions, divestments, contracts, operational programs and major capital expenditure; ■ approving capital raisings (debt or equity) by the Company; ■ oversight of the audit, compliance, internal control and financial and operational risk management functions of the Company to ensure that they operate effectively; ■ oversight of financial reporting and communication to the Company's shareholders and the investment community and shareholder relations generally; ■ oversight of the Company's employee-relations and ethical, social and environmental behaviour; ■ reviewing the performance of the Board as a whole, Board Committees and individual directors; <p>The Board has delegated to the Managing Director/Chief Executive Officer and his senior executive team authority over the day to day management of the Company and its operations. This delegation of authority includes responsibility to undertake the actions set out in the Board Charter, with the primary objective of maximising sustainable shareholder wealth, having regard to the Company's values and impacts for employees, communities and other stakeholders. These duties include:</p> <ul style="list-style-type: none"> ■ day to day running of the business; ■ appropriate and cost effective exploration and development of all Alliance projects; ■ identification of exploration and business development opportunities; ■ managing the operating and financial performance of the Company; ■ implementation of effective occupational health and safety policies; and ■ stakeholder communications program (including broker tours, attendance at trade shows, shareholder correspondence and advertising). 	Not applicable

CORPORATE GOVERNANCE STATEMENT

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
		<p>The role of General Manager is responsible and accountable to the Board and Managing Director/Chief Executive Officer. Specific responsibilities of the role include:</p> <ul style="list-style-type: none"> ■ Management and responsibility for the Maldon Gold Project; ■ Management of all Alliance exploration activity outside of the Joint Venture with Quasar; ■ Generation of exploration opportunities and review of acquisition opportunities as required; ■ Responsibility for geological modelling and preparation of mineral resource estimates ■ Assisting the Managing Director/Chief Executive Officer with drafting of ASX releases and briefings, as assigned, including Compliance sign-off for copper, gold & base metals; ■ Tenement management; and ■ Assisting the Managing Director/Chief Executive Officer with all other reasonable tasks as assigned. <p>The role of General Manager was undertaken by Mr. Stephen Johnston until his promotion to the position of interim Chief Executive Officer on 1 March 2010. Mr. Johnston will continue to perform the General Manager role, in addition to his Chief Executive Officer responsibilities, until a decision is made on whether to appoint a replacement Managing Director.</p> <p>The other senior executive of the Company is the Manager Finance and Company Secretary. His specific responsibilities include the following:</p> <ul style="list-style-type: none"> ■ maintaining financial control across the Alliance group; ■ ensuring that the Board receives regular financial and other pertinent information and reports (notably on auditing, taxation and insurance); ■ statutory financial statements; ■ Compliance with the regulatory requirements set out in the Corporations Act and ASX Listing Rules ; and ■ Management of the Company's banking arrangements and funds on hand. 	
1.2	Disclose the process for evaluating the performance of senior executives.	The Board reviews the performance of executives. The senior executives' performance is assessed against short and long term criteria relating to the performance of the executive and the Company as a whole. Further information on performance assessment is contained in the Remuneration Report which forms part of the Directors' Report. A performance evaluation of senior executives has been completed during the reporting period.	Not applicable
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	The information has been disclosed above	Not applicable

CORPORATE GOVERNANCE STATEMENT

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 2: Structure the board to add value			
2.1	A majority of the Board should be independent directors.	<p>Details of the current Directors of the Company, their skills, experience, qualifications and record of attendance at meetings are included in the Directors' Report.</p> <p>Director Independence</p> <p>At the date of this Report the company has three directors, all of whom are non-executive directors.</p> <p>The Company has adopted an Independence Policy which is published on the Company's website at: www.allianceresources.com.au. In determining a Director's independence the following definition is applied "An independent director is independent of management and has no material business or other relationship with Alliance Resources Limited that could materially impede the objectivity of, or the exercise of independent judgment by, the Director or materially influence their ability to act in the best interests of the Company." In reaching their decision regarding individual director independence, the Board reserves the right to consider a Director to be independent even though they may not meet one or more of the specific thresholds or tests specified in the Policy, having regard to the underlying key definition of independence and the nature of the Director's circumstances.</p> <p>The Board has determined that two of the three directors are independent non-executive directors applying the Company's Independence Policy. Issues considered in making this determination included:</p> <p>Mr. Dunlop and Mr. Lethlean have acted as consultants to the Company during the financial year, however, the value of the services provided, excluding formal and informal Board committees (\$9,600 for Mr. Lethlean and \$14,950 for Mr. Dunlop) is not considered material enough to impact on their independence. Mr. Lethlean is also a Director of a corporate finance company (Helmsec Global Capital Limited). Helmsec were Joint Lead Managers in a capital raising for Alliance conducted in June/July 2009. As Helmsec's share of fees was \$132,000 in the 2010 financial year it was not considered material enough to impact on Mr Lethlean's independence.</p> <p>Mr Mutz occupied the role of Managing Director of the Company from 1 December 2008 to 28 February 2010 and was appointed a non-executive director on that date. The Board has determined that as Mr Mutz acted in an executive capacity during part of the financial period that he should be considered a non-independent director. Mr Mutz resigned as a non-executive director effective 31 August 2010.</p> <p>Mr Gandel was, and continues to be, a substantial shareholder in the Company and in accordance with the Company's Independence Policy is not considered to be an independent</p> <p>The Board is aware that by not having a majority of independent directors during the course of the financial period it did not comply with Recommendation 2.1 during the financial year. However, following the resignation of Mr. Mutz on 31 August the Company did have a majority of independent directors and continues to do so. The Board has indicated that it will consider the appointment of further directors from time to time, if an outstanding candidate is identified or if it is felt that additional expertise is required in specific areas as projects underway evolve.</p>	Not applicable

CORPORATE GOVERNANCE STATEMENT

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
		<p>Independent professional advice</p> <p>Directors have the right, in connection with the discharge of their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chairperson is required, but this will not be unreasonably withheld.</p>	
2.2	The chair should be an independent director.	<p>The Company has adopted this recommendation. The Board has determined that Mr Dunlop is an independent non-executive director notwithstanding that he has provided consulting services to the Company during the financial period. The Board does not consider the value of the services provided to the Company by Mr Dunlop to be material and does not believe they are likely to materially interfere with the independent exercise of his judgment.</p> <p>Mr. J. Dunlop has been a director of the Company since it originally listed in 1994 and has an intimate knowledge of its affairs. He is an experienced company director and is committed to providing the time necessary to effectively discharge his role as chairperson, taking into account the time commitments associated with the provision of additional services and his other roles.</p>	Not applicable
2.3	The roles of chair and chief executive officer (or equivalent) should not be exercised by the same individual.	<p>The Company's Chairperson, Mr. J. Dunlop, and Acting Chief Executive Officer, Mr. S Johnston, have separate roles. The chairperson is primarily responsible for:</p> <ul style="list-style-type: none"> ■ leadership of the Board; ■ efficient organisation and conduct of the Board's function; ■ ensuring that all relevant issues are on the agenda for directors' meetings; ■ briefing of all directors on key issues; ■ facilitating the effective contribution of all directors; ■ guiding Board deliberations, free of undue bias; and ■ promoting constructive and respectful relations between directors and between Board and management. <p>Mr Stephen Johnston was appointed Acting Chief Executive Officer (CEO) on 1 March 2010. He succeeded Mr Patrick Mutz who was Managing Director from 1 December 2008 until 1 March 2010. Prior to his appointment as CEO Mr Johnston was General Manager of the Company. He will continue to perform the role of General Manager until a decision is made on whether to fill this position.</p>	Not applicable
2.4	The board should establish a Nomination Committee.	<p>In September 2009 the Board established a Nominations Committee comprising 3 non-executive Directors the majority of whom are considered independent directors.</p> <p>Committee members</p> <p>The members of the Nominations Committee as at the date of this Report are:</p> <p>Mr Tony Lethlean (Chairman)</p> <p>Mr John Dunlop</p> <p>Mr Ian Gandel</p>	Not applicable

CORPORATE GOVERNANCE STATEMENT

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
		<p>Committee Role & Responsibilities:</p> <p>The role and responsibilities, structure and procedures of the Nominations Committee are set out in the Committee's charter which has been published on the Company's website at: www.allianceresources.com.au. The process for nomination and appointment of Directors is set down in the Nominations Committee Charter and on the Company's website. In summary, the purpose of the Committee is to provide recommendations to and assist the Directors with respect to:</p> <ul style="list-style-type: none"> ■ identifying nominees for directorships and other key executive appointments; ■ the composition of the Board; ■ ensuring that effective induction and education procedures exist for new Board appointees and key executives; and ■ ensuring that appropriate procedures exist to assess and review the performance of the Chair, non-executive directors, senior management, Board committees and the Board as a whole. <p>Prior to the establishment of the Nominations Committee, the responsibilities typically delegated to such a committee were the responsibility of the full Board.</p>	
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	<p>The performance evaluation of the Board, its Committees and Board members occurs by way of a structured review comprising the distribution of detailed questionnaires to directors which are completed with findings being summarised and discussed at a subsequent meeting. At that Board meeting Directors identify potential performance strengths and development opportunities and formulate an action plan to address areas for further development. A performance evaluation was completed during the reporting period in accordance with the above process facilitated by external governance consultants.</p> <p>Director Induction and Education</p> <p>All new Directors participate in a director induction program that includes one-on-one discussions with key executives, provision to directors of important company documents and visits to operation sites. Continuing education requirements for directors are assessed on an as needs basis generally in conjunction with the Board performance assessment process.</p> <p>Company Secretary</p> <p>All Directors have access to the Company Secretary. Mr Ian Pamensky, the Company Secretary, is accountable, through the Chairman, for all governance matters.</p>	Not applicable
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	All information required to be provided has been disclosed above.	Not applicable

CORPORATE GOVERNANCE STATEMENT

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 3: Promote ethical and responsible decision-making			
3.1	<p>Establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> the practices necessary to maintain confidence in the Company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	<p>The Company, including its Directors and key executives, is committed to maintaining the highest standards of integrity and seeks to ensure that all its activities are undertaken with efficiency, honesty and fairness. The Company also maintains a high level of transparency regarding its actions consistent with the need to maintain the confidentiality of commercial-in-confidence material and, where appropriate, to protect the shareholders' interests.</p> <p>The Company recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity and expects all directors, executives, contractors and employees to act in accordance with the law and with the highest standards of propriety and in accordance with the terms of the Company's Code of Ethics which can be accessed from the website at www.allianceresources.com.au.</p> <p>The Board is aware that the ASXCGC is proposing to introduce new recommendations, which require companies to establish a diversity policy that includes measurable objectives in relation to gender diversity and to report on achievements against the objectives in the annual report. The Board intends to develop a diversity policy and where appropriate to adopt the Council's recommendations.</p>	Not applicable
3.2	<p>Establish a policy concerning trading in Company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.</p>	<p>The Company has adopted a Securities Trading Policy which applies to all directors, officers, employees and contractors of, or engaged by, the Company or a Joint Venture Party and all advisers, auditors and consultants to the Company (together "Alliance Associates").</p> <p>It is the responsibility of each Alliance Associate to be aware of, and comply with, the legal requirements in the Corporations Act 2001 (Cth) prohibiting insider trading.</p> <p>Any transaction conducted by Directors in shares of the Company is notified to ASX. Each Director agrees to provide information about dealings to the Company Secretary promptly to allow the Company to notify the ASX of any share transaction within five business days.</p> <p>Subject to not being in possession of any price sensitive information, the Directors and other Alliance Associates are free to deal in securities of the Company within the period of 28 days following the announcement of half yearly results, the first announcement of annual results, the publication of a quarterly report and the annual general meeting and during any period when a prospectus relating to equity securities is open (each a "Dealing Window"). Prior to dealing in securities Directors must seek the consent of the Chairman and Officers and other employees must seek the consent of the Company Secretary or CEO.</p> <p>The Board may in exceptional circumstances approve an Alliance Associate dealing in the Company's securities outside a Dealing Window, but will not give its approval if the Board considers that price sensitive information is not generally available. Company Directors and officers are also prohibited from hedging their exposure to fluctuations in unvested share plan securities.</p> <p>The Securities Trading Policy was amended during the year to take into account proposed changes to the ASX listing rules. The Policy can be accessed at www.allianceresources.com.au</p>	Not applicable
3.3	<p>Provide the information indicated in the Guide to reporting on Principle 3.</p>	<p>All information required to be provided has been disclosed above.</p>	Not applicable

CORPORATE GOVERNANCE STATEMENT

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 4: Safeguard integrity in financial reporting			
4.1	The board should establish an audit Committee.	<p>The company established an Audit & Risk Committee on 29 November 2007.</p> <p>Committee members:</p> <p>Members of the Committee at the date of this Report are: Mr Tony Lethlean (Chairman) Mr John Dunlop (appointed 5 August 2010) Mr Ian Gandel (appointed 5 August 2010)</p> <p>Committee Role & Responsibilities:</p> <p>The role and responsibilities, structure and procedures of the Audit & Risk Committee are set out in the Committee's charter which has been published on the Company's website at: www.allianceresources.com.au. In summary the function of the Committee is to assist the Board in fulfilling its corporate governance responsibilities with regard to:</p> <ul style="list-style-type: none"> ■ business risk management; ■ compliance with legal and regulatory obligations; ■ the establishment and maintenance of the internal control framework; ■ the reliability and integrity of financial information for inclusion in the Company's financial statements; ■ safeguarding the independence of the external auditor; and ■ audit, accounting and financial reporting obligations. <p>The Audit & Risk Committee met four times during the reporting period, before signing off on the annual and half year financial statements. All members of the Audit & Risk Committee attended each meeting.</p>	Not applicable
4.2	<p>The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the board; • has at least three members. 	<p>In July 2010 the Board restructured the Audit & Risk Committee to comply with ASXCG Recommendation 4.2. The Committee now comprises three non-executive Director members, two of whom are independent directors. Mr. Tony Lethlean, is the independent Chairman of the Committee. Standing invitations to attend Audit & Risk Committee meetings have been issued to Mr Ian Pamensky (Manager Finance & Company Secretary) and the Company's External Auditors.</p> <p>Ms Melanie Leydin, was a member of the Committee until 2 August 2010. Ms Leydin is a Chartered Accountant and principal in a chartered accounting firm specializing in audit and company secretarial services. Ms Leydin has over 15 years experience in the accounting profession and is a director and company secretary for a number of junior mining and exploration entities listed on the Australian Securities Exchange.</p>	Not applicable
4.3	The audit committee should have a formal charter.	The formal charter of the Audit & Risk Committee was adopted in November 2007 and is reviewed on a regular basis. The Audit & Risk committee charter can be accessed at www.allianceresources.com.au	Not applicable
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	<p>The external auditor, PKF has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years. Information on the policy and procedures for the selection, appointment and independence of the external auditor, and for the rotation of external audit engagement partners can be accessed from the Company's website at www.allianceresources.com.au</p> <p>All information required to be provided has been disclosed above.</p>	Not applicable

CORPORATE GOVERNANCE STATEMENT

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

CORPORATE GOVERNANCE STATEMENT

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
Principle 6: Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	<p>Our shareholders own the Company and the Board acknowledges its responsibility to act in their best interests with the objective of increasing the Company's value for all shareholders. The Board maintains active communication with shareholders as owners of the Company.</p> <p>Communication with shareholders is of critical importance to the Company. The Board of Directors aims to ensure that the shareholders on behalf of whom they act have access to all information necessary to assess the performance and prospects of the Company. Mechanisms used to communicate with shareholders include:</p> <ul style="list-style-type: none"> ■ the Company's annual report which is distributed, or otherwise made available, to all shareholders; ■ the Company's quarterly production reports; ■ the Company's half-year financial report; ■ the Company's annual general meeting and other general meetings called to obtain shareholder approval for significant corporate actions, as appropriate; ■ Company announcements; and ■ the Company's website - www.allianceresources.com.au <p>In addition the Company seeks to provide opportunities for shareholders to participate through electronic means. The website includes a feedback mechanism and an option for shareholders to register their e-mail address for direct e-mail updates of company matters.</p> <p>When brokers, analysts, the press or other parties are briefed on the Company's activities, the material used in the presentations is usually released to the ASX and posted on the Company's website.</p> <p>The Board has procedures in place to ensure that all price sensitive information is disclosed to the ASX on a timely basis, subject to the permitted exceptions to such disclosure set down in the ASX listing rules.</p> <p>The Company welcomes questions from shareholders at any time and these are answered promptly unless the information requested is market sensitive and not in the public domain. Also, all announcements made by the Company to the ASX (except disclosures of a routine compliance nature) are posted on the Company's website.</p> <p>The lead external auditor is required by law to attend or be represented at the annual general meeting to answer any questions with regard to, inter alia, the conduct of the audit and the preparation and content of the auditor's report. The lead external auditor did attend the 2009 annual general meeting.</p> <p>Shareholders have a choice with regards to the method in which they receive annual reports and notices of meeting, and may elect (by written notice to the Company) to receive such reports and/or notices of meeting by either post, or electronically.</p> <p>Shareholders who are unable to attend meetings of the Company are encouraged to participate in meetings by way of appointment of a proxy. Proxy forms may be lodged by shareholders by way of post, facsimile or transmission to the electronic address specified in the relevant notice of meeting.</p>	Not applicable
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The information has been disclosed in the Annual Report.	Not applicable

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

CORPORATE GOVERNANCE STATEMENT

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	<p>The Board has received assurance from the Acting Chief Executive Officer and Manager Finance that the section 295A declaration signed prior to approving financial statements was founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.</p> <p>The Board has indicated that it is satisfied that management has developed and implemented a sound system of risk management and internal control.</p>	Not applicable

7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	All information required to be provided has been disclosed above.	Not applicable
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Principle 7: Recognise and manage risk

8.1	The board should establish a Remuneration Committee.	<p>The Company established a Remuneration Committee in September 2009 and adopted a charter that sets out the role, responsibilities, structure and procedure of this committee. Details of the Remuneration Committee and its charter are published on the Company's website at www.allianceresources.com.au.</p> <p>Committee members</p> <p>Members of the Committee as at the date of this Report are: Mr Tony Lethlean (Chairman) Mr John Dunlop Mr Ian Gandel</p> <p>Committee Role & Responsibilities:</p> <p>The role and responsibilities, structure and procedures of the Remuneration Committee are set out in the Committee's charter which has been published on the Company's website at: www.allianceresources.com.au. In summary the purpose of the Committee is to provide the board of directors with advice and recommendations which enable the Board to:</p> <ul style="list-style-type: none"> ■ set in place remuneration policies which are designed to attract and retain senior managers and directors with the expertise to enhance the performance and growth of the Company; and ■ ensure that the level and composition of remuneration packages are fair, reasonable and adequate and, in the case of executive directors and senior managers, display a clear relationship between the performance of the individual and the performance of the Company. 	Not applicable
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CORPORATE GOVERNANCE STATEMENT

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

AUDITOR'S INDEPENDENCE DECLARATION

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Alliance Resources Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Alliance Resources Limited and the entities it controlled during the year.



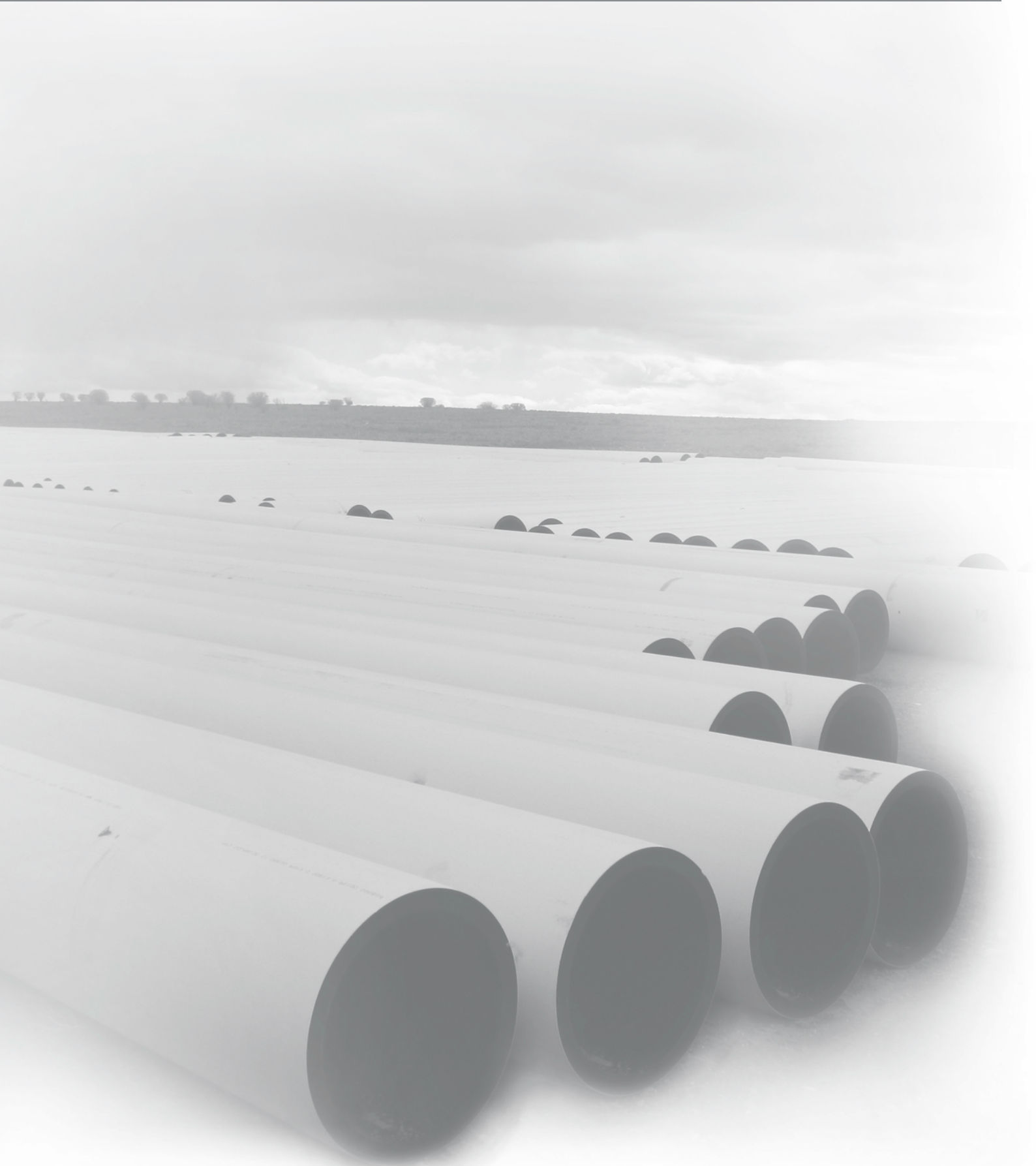
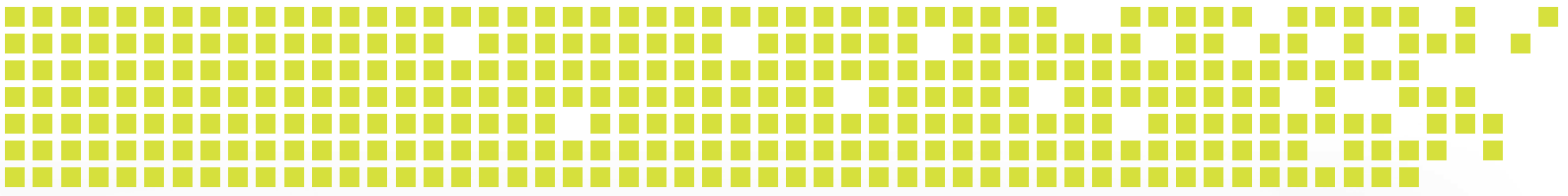
D J Garvey
Partner
PKF

28 September 2010
Melbourne

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The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	Notes	Consolidated 2010 \$	Consolidated 2009 \$
Continuing Operations			
Other revenues from continuing operations	2	2,037,807	1,074,973
Administrative expenses		(2,268,721)	(1,923,004)
Legal costs		(1,662,190)	(369,052)
Depreciation		(18,810)	(13,990)
Directors benefits		(484,586)	(340,780)
Impairment in value of available for sale investments	6	(104,969)	(315,703)
Occupancy expenses		(63,752)	(33,517)
Expense of share options granted		(39,692)	(529,245)
Share of net loss of joint venture accounted for using the equity method	10	(1,330,605)	(1,446,696)
Loss before income tax		(3,935,518)	(3,897,014)
Income tax benefit	4	107,629	-
Loss from continuing operations after income tax		(3,827,890)	(3,897,014)
Loss from discontinuing operations	22	(1,014,900)	(18,998,487)
Net Loss after income tax		(4,842,790)	(22,895,501)
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the year		(4,842,790)	(22,895,501)
Basic loss per share (cents) from Continuing Operations	19	(1.124)	(1.413)
Basic loss per share (cents) from Discontinuing Operations	19	(0.298)	(6.888)
Diluted loss per share (cents) from Continuing Operations	19	(1.124)	(1.413)
Diluted loss per share (cents) from Discontinuing Operations	19	(0.298)	(6.888)
Total basic loss per share (cents) from Total Operations	19	(1.424)	(8.301)
Total diluted loss per share (cents) from Total Operations	19	(1.424)	(8.301)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Notes	Consolidated 2010 \$	Consolidated 2009 \$
Current Assets			
Cash and cash equivalents		38,429,066	43,250,408
Trade and other receivables	5	478,722	235,532
Other assets	8	46,233	25,691
		38,954,021	43,511,631
Non-current assets classified as held for sale	22	9,502,461	9,004,325
Total Current Assets		48,456,482	52,515,956
Non Current Assets			
Trade and other receivables	5	40,000	40,000
Other financial assets	6	38,171	143,140
Property, plant and equipment	7	51,636	11,797
Exploration and evaluation	9	2,008,560	1,850,725
Investment in Joint Venture, accounted for using the equity method	10	11,553,753	5,132,482
Total Non Current Assets		13,692,120	7,178,144
Total Assets		62,148,602	59,694,100
Current Liabilities			
Trade and other payables	11	673,060	1,645,262
Provisions	12	38,458	46,409
		711,518	1,691,671
Non-current liabilities classified as held for sale	22	898,085	912,966
Total Current Liabilities		1,609,603	2,604,637
Total Liabilities		1,609,603	2,604,637
Net Assets		60,538,999	57,089,463
Equity			
Contributed equity	14	98,918,022	90,665,388
Reserves	15	3,852,436	3,812,744
Accumulated losses		(42,231,459)	(37,388,669)
Total Equity		60,538,999	57,089,463

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Issued Capital \$	Accumulated Losses \$	Share Option Reserve \$	Total \$
At 30 June 2008	55,574,318	(14,493,168)	3,377,530	44,458,680
Total comprehensive loss for the year	-	(22,895,501)	-	(22,895,201)
Transactions with owners in their capacity as owners:				
Exercise of options	200,000	-	-	200,000
Shares issued during the year	27,932,360	-	-	27,932,360
Shares paid for, but unissued	8,200,466	-	-	8,200,466
Share issue costs	(1,335,787)	-	-	(1,335,787)
Share options exercised	94,031	-	(94,031)	-
Cost of share options issued	-	-	529,245	529,245
At 30 June 2009	90,665,388	(37,388,669)	3,812,744	57,089,463
Total comprehensive loss for the year	-	(4,842,790)	-	(4,842,790)
Transactions with owners in their capacity as owners:				
Shares issued during the year	8,552,074	-	-	8,552,074
Share issue costs	(299,440)	-	-	(299,440)
Cost of share options issued	-	-	39,692	39,692
At 30 June 2010	98,918,022	(42,231,459)	3,852,436	60,538,999

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

	Consolidated 2010 \$	Consolidated 2009 \$
Cash flows from operating activities		
Receipts from customers	234,395	789,993
Payments to suppliers and employees	(5,088,428)	(5,120,228)
Payments for exploration costs	(595,469)	(6,151,607)
Contributions to a Joint Venture Development	(8,887,200)	(5,443,854)
Interest received	1,601,800	1,031,219
Net cash flows used in operating activities	(12,734,902)	(14,894,477)
Cash flows from investing activities		
Purchase of property, plant and equipment	(85,678)	(633,974)
Transfer to term & rental deposits	(253,396)	(10,823)
Net cash flows used in investing activities	(339,074)	(644,797)
Cash flows from financing activities		
Proceeds from issues of shares	8,552,074	28,132,360
Proceeds from Rights Issues not allotted	-	8,200,466
Payments for share issue costs	(299,440)	(1,335,787)
Net cash flows from financing activities	8,252,634	34,997,039
Net (decrease) / increase in cash held	(4,821,342)	19,457,765
Cash at beginning of the year	43,250,408	23,792,643
Cash at end of the year	38,429,066	43,250,408
RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES		
Operating (loss) after tax	(4,842,790)	(22,895,501)
Depreciation of plant and equipment	214,947	175,275
Cost of share options granted	39,692	529,245
Increase/ (Decrease) in rehabilitation provision	-	150,000
(Decrease)/ Increase in Rental Deposit	(1,603)	823
Writedown of Investments	104,969	315,703
Share of net profits of joint venture accounted for using the equity method	1,330,605	1,446,696
Write off exploration costs	-	17,401,153
(Increase)/ Decrease in:		
Inventories	-	(25,319)
Receivables	(212,344)	154,298
Prepayments	(25,999)	25,643
Exploration expenditure	(595,469)	(6,151,607)
Contributions to a Joint Venture Development	(8,887,200)	(5,443,854)
Increase/ (Decrease) in:		
Payables	165,197	(561,316)
Deferred Income	-	(59,075)
Provisions	(24,908)	43,359
Net cash flows used in operating activities	(12,734,902)	(14,894,477)

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



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Alliance Resources Limited is a public company listed on the Australian Securities Exchange (ASX), incorporated and domiciled in Australia. The financial report was authorised for issue by the Directors on the date the Directors' declaration was signed.

The principal activities of the consolidated entity during the financial year were in uranium, gold and copper-gold exploration. Further details of activities of the consolidated entity are described in the Directors' Report.

During the year ended 30 June 2010, the Federal Government introduced amendments to the Corporations Act 2001, removing the requirement for consolidated groups to include full parent entity financial statements when preparing consolidated financial statements. Royal Assent for these amendments was received on 28 June 2010. Alliance Resources has adopted these amendments for the consolidated financial statements for the year ended 30 June 2010.

The significant policies, which have been adopted in the preparation of this financial report are:

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB. The financial report of the consolidated entity also complies with IFRS and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial statements are presented in Australian Dollars and have been prepared in accordance with the historical cost convention and except where stated, do not take into account changing money values or fair values of non-current assets. These accounting policies have been consistently applied and are consistent with those of the previous year.

The adoption of revised Accounting Standard AASB 101 Presentation of Financial Statements has impacted the disclosures included in the financial statements. The revised standard separates owner and non-owner changes in equity. The Statement of Changes in Equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new Statement of Comprehensive Income. The consolidated entity has elected to present all items of recognised income and expense in one single Statement of Comprehensive Income.

Significant judgements and estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting judgements and 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 financial statements, are disclosed. 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 entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Share based payments - Note 1(n)
- Provision for rehabilitation - Note 1(g)
- Exploration and Evaluation - Note 1(e)
- Other financial assets - Note 1(j)

(c) New accounting standards and interpretations

The following Australian Accounting Standards and Interpretations that have recently been issued but are not yet effective have not been adopted by the Group for the annual reporting year ended 30 June 2010. Those that are relevant to the Group are outlined below:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Reference	Title	Operative Date (annual reporting period beginning)	Summary	Impact on Company
AASB 9	Financial Instruments	1/01/2013	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace AASB 139 Financial Instruments: Recognition and Measurement. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	The Group has yet to determine the potential effect of the standard.
AASB 2009-5	Further amendments to Australian Accounting Standards arising from the Annual Improvements Process	01/01/2010	Affects various AASB's resulting in minor changes for presentation, disclosure, recognition and measurement purposes.	It is anticipated this standard will have presentation and disclosure changes only, with no material financial impact on the financial statements.
AASB 1053	Application of Tiers of Australian Accounting Standards	01/07/13	Sets out the application of tiers of Australian Accounting Standards to different categories of entities preparing general purpose financial statements.	Adoption of this standard is not expected to have an impact on the financial statements.

(d) Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity"). Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased. The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

(e) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest. Exploration expenditure is carried forward where right of tenure of the area of interest is current and:

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

Ultimate recoupment of costs is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

Exploration expenditure, which no longer satisfies the above policy, is written off.

Restoration costs expected to be incurred are provided for as part of exploration, evaluation, development or production phases that give rise to the need for restoration. Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to the balance sheet date.

(f) Development

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

(g) Provision for Restoration and Rehabilitation

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

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

(h) Income Tax

Income taxes are accounted for using the comprehensive balance sheet liability method, whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset; and
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Tax Consolidation

The Company and all its wholly owned Australian resident entities formed a tax consolidated group on 1 July 2003 under Australian taxation law. Alliance Resources Limited is the head entity in the tax consolidated group and the Australian Taxation Office has been notified.

(i) Financial Instruments

Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

Recognition and Derecognition

All regular purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

(i) Loans and receivables

Such assets are carried at the transaction price minus principal repayments and minus any allowance for impairment or uncollectibility. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. Loans and receivables are included with receivables in current assets in the statement of financial position, except for those with maturities greater than 12 months after balance date, which are classified as non-current.

(ii) Available-for-sale securities

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

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(iii) 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, 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.

(j) Property, Plant and Equipment

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

Major depreciation rates are:

Processing plant	20%
Tailings Dams	20%
Other fixed assets	13% - 40%

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

(k) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes deposits at call, which are readily convertible to cash on hand, and which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

(l) Employee Benefits

Liabilities for wages and salaries, annual leave and sick leave are recognised, and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' service up to that date. A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

(m) Impairment of Assets

Assets that have a finite useful life are subject to amortisation and reviewed annually for impairment. Depreciable assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash generating units). Prior to the establishment of a cash generating unit, assets are assessed for indicators of impairment against the total project value.

For the year ended 30 June 2010

(n) Share-based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted.

Refer to Note 14 for information about share-based payment arrangements.

(o) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(p) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are unsecured and are normally settled within 60 days.

(q) Transactions Costs Arising on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

(r) Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(s) Joint Ventures

The consolidated entity's share of jointly controlled assets, liabilities, income and expenses from joint venture operations are recognised in the financial statements.

Where part of a joint venture interest is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the consolidated entity in the joint venture area of

interest, exploration expenditure incurred and carried forward prior to farmout continues to be carried forward without adjustment, unless the terms of the farmout indicate that the value of the exploration expenditure carried forward is excessive based on the diluted interest retained or it is not thought appropriate to do so.

(t) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(u) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to exploration, or the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

(v) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

(w) Receivables

Receivables are recognised initially at fair value.

Collectability of receivables are reviewed on an on-going basis. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms.

(x) 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 AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Consolidated 2010 \$	Consolidated 2009 \$
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NOTE 2. REVENUE

Other Revenue from Continuing Operations

Interest revenue	1,822,807	1,074,973
Maldon prospective purchaser fee	215,000	-
Total Revenue	2,037,807	1,074,973

NOTE 3. OPERATING LOSS

Operating loss from continuing operations before income tax has been arrived at after charging the following items:

Superannuation contribution expense	51,402	38,142
Salaries and wages	754,338	522,477

NOTE 4. INCOME TAX

The prima facie tax on operating loss is reconciled to the income tax provided in the financial statements as follows:

Prima facie tax on operating (loss) at 30% (2009: 30%)	(1,452,837)	(6,868,650)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Expense of share options granted	11,908	158,774
Research and development claim	(107,629)	-
Share of net loss of joint venture accounted for using the equity method	399,182	434,009
Impairment of exploration costs capitalised	-	5,220,346
Impairment of financial assets	31,491	94,711
Current income tax expense / (benefit)	(1,117,885)	(960,810)
Deferred tax assets not brought to account	1,010,256	960,810
Income tax expense (benefit)	(107,629)	-

Applicable tax rate

The applicable tax rate is the national tax rate in Australia of 30% (2009: 30%)

Deferred tax assets which have not been brought to account comprise:

Income tax losses	13,938,872	13,200,309
Other temporary differences	(2,047,331)	(1,853,497)
	11,891,541	11,346,812

Deferred tax liabilities that have arisen in the course of normal operations have been offset against unutilised deferred tax assets and as such have not been shown separately.

The consolidated entity has no franking credits available.

This benefit for tax losses will only be obtained if:

- the consolidated entity derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the consolidated entity continues to comply with the conditions for deductibility imposed by Law; and
- no changes in tax legislation adversely affect the ability of the consolidated entity to realise these benefits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Consolidated 2010 \$	Consolidated 2009 \$
NOTE 5. RECEIVABLES		
Current		
Other receivables	357,645	176,426
Accrued income	121,077	59,106
	<u>478,722</u>	<u>235,532</u>
Non Current		
Term deposits	40,000	40,000
	<u>40,000</u>	<u>40,000</u>
NOTE 6. OTHER FINANCIAL ASSETS		
Available for sale financial assets ⁽¹⁾	38,171	143,140
	<u>38,171</u>	<u>143,140</u>
Notes:		
(1) Available for sale financial assets		
At Beginning of year	143,140	458,842
Additions	-	-
Revaluation of investments to fair value	(104,969)	(315,702)
At end of year	<u>38,171</u>	<u>143,140</u>
Made up as follows:		
Listed securities		
Equity Securities ⁽²⁾		
At Cost	1,033,786	1,033,786
Revaluation of investments to fair value	(995,615)	(890,646)
At fair value	<u>38,171</u>	<u>143,140</u>
Unlisted securities ⁽³⁾		
Options		
At Cost	-	511,178
Revaluation of investments to fair value	-	(511,178)
At fair value	<u>-</u>	<u>-</u>
At fair value	<u>38,171</u>	<u>143,140</u>

(2) Shares in Intec Limited (ASX Code: INL) acquired on sale of investment in Encore Pty Ltd on 23 October 2006. Shares in Intec are valued by reference to the quoted market price at the close of business on balance date.

(3) Unlisted Options in Intec Limited (ASX Code: INL) acquired on sale of investment in Encore Metals NL on 23 October 2006 the Unlisted Options have been valued at 30 June 2009 using a Black-Scholes Valuation. The Options expired on 23 October 2009. Assumptions used in valuing the Options

30 June 2009

Share price of underlying shares - \$ 0.015

Volatility 67%

Risk free interest rate 3.520%

Valuation - per option - \$ -

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Note	Consolidated 2010 \$	Consolidated 2009 \$
NOTE 7. PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment at cost		110,190	51,541
Accumulated depreciation		(58,554)	(39,744)
		51,636	11,797

Movement during the year

Property			
Carrying amount at beginning of year		-	523,563
Transferred to assets classified as held for sale	22	-	(523,563)
Carrying amount at end of year		-	-

Plant and equipment			
Carrying amount at beginning of year		11,797	312,100
Additions		85,679	472,688
Transferred to assets held for sale - cost	22	(27,030)	(2,621,867)
Transferred to assets held for sale - depreciation	22	-	1,862,866
Depreciation		(18,810)	(13,990)
Carrying amount at end of year		51,636	11,797

NOTE 8. OTHER

Current

Prepayments		46,233	25,691
		46,233	25,691

NOTE 9. EXPLORATION AND EVALUATION

Non Current

Exploration/evaluation costs carried forward		2,008,560	1,850,725
		2,008,560	1,850,725

Movement during the year

Balance at beginning of year		1,850,725	20,154,829
Expenditure incurred during the year(1)		157,835	6,151,607
Impairment of exploration costs(2)		-	(17,401,153)
Transferred to assets classified as held for sale(2)	22	-	(7,054,558)
Balance at end of year		2,008,560	1,850,725

Note

(1) The consolidated entity has a 25% interest in the Four Mile Uranium-Copper-Gold exploration joint venture in South Australia. The joint venture partner is Quasar Resources Pty Ltd, an affiliate of Heathgate Resources Pty Ltd. The consolidated entity had a free carried interest until a decision to mine was called by Quasar in September 2008 and came into effect on 22 October 2008. The Company received its first cash call in respect of the cost of development of uranium mining at Four Mile East in December 2008 - Refer Note 10 (Investment in Joint Venture). The consolidated entity has also incurred costs in relation to the JV totalling \$486,031 (2009: \$369,961) and these costs are included above as at 30 June 2010.

(2) On 3 November 2008, the Company announced the suspension of its underground operations at the Maldon Gold Project in Victoria, in order to focus its resources on the development of the Four Mile Uranium Project. In light of this decision the Company decided to writedown the value of Exploration costs associated with the Maldon Gold Project to more accurately

reflect its current value. The impairment of exploration costs was based on managements estimate of the likely fair value, less costs to sell Maldon Resources Pty Ltd with reference to discussions with a potential purchaser and an independent valuation of Maldon. Alliance is currently considering various options including an ASX listing, or divestment, of the Maldon assets.

(3) Exploration costs can be broken down as follows:	2010 \$	2009 \$
Warrina, SA	1,228,114	1,216,353
Four Mile JV, SA	486,031	369,961
East Frome, NSW	294,415	264,411
	2,008,560	1,850,725

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Consolidated 2010 \$	Consolidated 2009 \$
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NOTE 10. INVESTMENT IN JOINT VENTURE ACCOUNTED FOR USING THE EQUITY METHOD

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

(a) - Movements in carrying amounts

Carrying amount at the beginning of the financial year	5,132,482	-
FMJV Cash calls made during the financial year	7,751,876	6,579,178
Share of net loss in joint venture accounted for using the equity method	(1,330,605)	(1,446,696)
Carrying amount at the end of the financial year ⁽¹⁾	11,553,753	5,132,482

(b) Summarised financial information of Joint Venture

FMJV Ownership interest - 25%

Groups Share of:

Assets	11,568,122	5,873,990
Liabilities	(118,536)	(1,868,595)
Net assets of the FMJV⁽¹⁾	11,449,586	4,005,395
Revenue	-	-
Loss	1,330,605	1,446,696

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

(c) Commitments or contingent liabilities of Joint Venture

Details of Alliance share of development commitments are disclosed in Note 16

NOTE 11. PAYABLES

Trade creditors	516,451	402,084
Accrued expenses	156,609	1,243,178
	673,060	1,645,262

NOTE 12. PROVISIONS - CURRENT

Employee benefits	38,458	46,409
	38,458	46,409

NOTE 13. PROVISIONS - NON-CURRENT

Rehabilitation	-	-
Rehabilitation		
Carrying amount at beginning of year	-	600,000
Transferred to assets classified as held for sale	22	(600,000)
Carrying amount at end of year	-	-

NOTE 14. CONTRIBUTED EQUITY

(a) - Share Capital - Ordinary Shares

Fully Paid - 341,172,309 (2009: 314,928,285)	98,918,022	82,464,922
Unissued Capital - nil (2009: 13,667,444 ⁽¹⁾)	-	8,200,466
	98,918,022	90,665,388

The parent entity has unlimited authorised capital and no par value in respect of its issued shares.

(1) On 25 June 2009 the Company completed a 1:12 Non-Renounceable Rights Issue. The Rights Issue shares were allotted by the Company's share registry on 2 July 2009. All funds were received by Alliance Resources Limited prior to 30 June 2009 and no conditions attached to the funds received.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Issue Price Cents	Number of Shares	\$
Movements in ordinary share capital over the past two years were as follows:			
Balance 30 June 2008		272,851,285	55,574,318
Exercise of Unlisted Share Options - 29 October 2008	20.00	1,000,000	200,000
Share Placement - 4 June 2009	68.00	41,077,000	27,932,360
Transfer of share options exercised ⁽¹⁾		-	94,031
Rights Issue Allotment - 2 July 2009 ⁽²⁾		-	8,200,466
Less capital raising costs		-	(1,335,787)
Balance 30 June 2009		314,928,285⁽²⁾	90,665,388
Rights Issue Allotment - 2 July 2009 ⁽²⁾	60.00	13,667,444	-
Rights Issue Shortfall Allotment - 6 and 7 July 2009	68.00	8,885,000	6,041,800
Rights Issue Shortfall Allotment - 21 August 2009	68.00	3,691,580	2,510,274
Less capital raising costs		-	(299,440)
Balance 30 June 2010		341,172,309	98,918,022

Notes

(1) Transfer of costs from the Share Option Reserve to Contributed Equity for options exercised.

(2) On May 26 2009, the Company announced a Rights Issue. The Rights Issue closed on 25 June 2009, but the Shares were only allotted on 2 July 2009 and are classified as Unissued Capital at 30 June 2009.

	Exercise Price Cents	Number of Shares	Expiry Date
(b) - Unlisted share options			
8,200,000 (2009: 8,625,000)			
Movements in unlisted share options over the past two years were as follows:			
Balance 30 June 2008		7,625,000	
Exercise of Unlisted Share Options - 29 October 2008		(1,000,000)	31/10/2008
Issue of Unlisted Share Options to the Managing Director - 1 December 2008(1)	100.00	1,000,000	31/10/2011
Issue of Unlisted Share Options to the Managing Director - 1 December 2008(1)	120.00	1,000,000	31/10/2011
Balance 30 June 2009		8,625,000	
Cancellation of Unlisted Options - 10 August 2009	160.00	(100,000)	31/10/2010
Cancellation of Unlisted Options - 21 August 2009	80.00	(100,000)	31/10/2010
Cancellation of Unlisted Options - 31 August 2009	80.00	(225,000)	31/10/2009
Balance 30 June 2010		8,200,000	

Notes

(1) During the 2009 financial year the Consolidated Entity issued 2,000,000 unlisted options to the Managing Director. Half these options are exercisable at \$1.00 and the other half at \$1.20 cents per share. The Options expire on 31 October 2011. The Options were issued under the terms of the ESOP (Employee Share Option Plan), approved at the 2008 AGM on 19 November 2008 and issued on 1 December 2008. Due to the resignation of the former Managing Director as a Director of the Company effective 31 August 2010, these options will expire one month after the resignation date unless exercised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Grant Date	Exercise Price Cents	Number of options	Expiry Date	Value per Option at Grant Date
The Consolidated Entity had the following unlisted options on issue at 30 June 2010:				
Director - 23 November 2005 ⁽²⁾⁽³⁾⁽⁵⁾⁽¹⁴⁾	20.00	-	31 Oct 2008	\$0.0741
Staff, Consultants & Contractors - 2 October 2006 ⁽¹⁾⁽⁴⁾⁽⁵⁾	80.00	-	31 Oct 2009	\$0.2926
Staff, Consultants & Contractors - 22 October 2007 ⁽⁵⁾⁽⁷⁾⁽⁹⁾	160.00	3,200,000	31 Oct 2010	\$0.5210
Director - 29 November 2007 ⁽⁵⁾⁽⁸⁾⁽¹⁰⁾	160.00	3,000,000	31 Oct 2010	\$0.6465
Managing Director - 1 December 2008 ⁽⁵⁾⁽¹¹⁾⁽¹²⁾	100.00	1,000,000	31 Oct 2011	\$0.1080
Managing Director - 1 December 2008 ⁽⁵⁾⁽¹¹⁾⁽¹³⁾	120.00	1,000,000	31 Oct 2011	\$0.0860
Total options on issue at 30 June 2010		8,200,000		

Notes

(1) 50% Exercisable after 30 June 2007 and 50% exercisable after 31 December 2007

(2) 33.33% Exercisable on issue, 33.33% exercisable after 30 June 2006 and 33.33% exercisable after 31 December 2006.

(3) The Options granted were approved by the shareholders at the 2005 annual general meeting.

(4) The Options were issued under the Employee Share Option Plan (ESOP) on 2 October 2006. The issue of the options and approval of the ESOP was approved at the 2006 annual general meeting.

(5) The terms of the above Options were as follows:

- The Options were granted for no consideration;
- Options granted carry no dividend or voting rights;
- The exercise price of the Options was determined by the Directors; and
- Each Option converts to one ordinary share.

(6) Share based compensation

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the Directors and Executives remuneration tables. Fair values at grant date are determined using an appropriate 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 annual price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2009 included:

	Managing Director ⁽¹²⁾	Managing Director ⁽¹³⁾
	Binomial Model	Binomial Model
- Valuation Method:		
- Options are granted for no consideration		
- Exercise price:	\$1.00	\$1.20
- Grant Date:	1 Dec 2008	1 Dec 2008
- Expiry date:	31 Oct 2011	31 Oct 2011
- Share price at grant date: (Based on a 8 day volume weighted average share price (VWAP))	\$0.42	\$0.42
- Expected price volatility of the company's shares:	80.00%	80.00%
- Risk-free interest rate:	3.52%	3.52%

The model inputs for options granted during the year ended 30 June 2008 included:

	ESOP	Directors
	Binomial Model	Binomial Model
- Valuation Method:		
- Options are granted for no consideration		
- Exercise price:	\$1.60	\$1.60
- Grant Date:	22 Oct 2007	29 Nov 2007
- Expiry date:	31 Oct 2010	31 Oct 2010
- Share price at grant date: (Based on a 30 day volume weighted average share price (VWAP))	\$1.39	\$1.56
- Expected price volatility of the company's shares:	72.00%	72.00%
- Risk-free interest rate:	6.52%	6.46%

The model inputs for options granted during the year ended 30 June 2007 included:

	ESOP
	Binomial Model
- Valuation Method:	
- Options are granted for no consideration	
- Exercise price:	\$0.80
- Grant Date:	2 Oct 2006
- Expiry date:	31 Oct 2009
- Share price at grant date: (Based on a 30 day volume weighted average share price (VWAP))	78.7cents
- Expected price volatility of the company's shares:	71.82%
- Risk-free interest rate:	5.76%

- (7) 50% Exercisable after 30 April 2008 and 50% exercisable after 31 December 2008.
- (8) 50% Exercisable after 31 December 2007 and 50% exercisable after 30 June 2008.
- (9) The Options were issued under the Employee Share Option Plan (ESOP) on 22 October 2007.
- (10) The Options granted were approved by the shareholders at the 2007 annual general meeting.
- (11) The Options granted were approved by the shareholders at the 2008 annual general meeting.
- (12) Exercisable after 31 December 2008.
- (13) Exercisable after 31 December 2009.
- (14) Exercised 29 October 2008.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Consolidated 2010 \$	Consolidated 2009 \$
NOTE 15. RESERVES		
Reserves		
Share Option Reserve	3,852,436	3,812,744
	<u>3,852,436</u>	<u>3,812,744</u>
Movements:		
Share Option Reserve		
Balance 1 July	3,812,744	3,377,530
Cost of share options issued	39,692	529,245
Transfer of share options exercised ⁽¹⁾	-	(94,031)
	<u>3,852,436</u>	<u>3,812,744</u>

Notes

(1) Transfer of costs from the Share Option Reserve to Contributed Equity for options exercised.

Nature and purpose of reserves:

Share Option Reserve

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

Movements in the number of options on issue by the Company is disclosed at Note 14.

NOTE 16. COMMITMENTS FOR EXPENDITURE

(a) Exploration Commitments⁽¹⁾

The consolidated entity must meet the following tenement expenditure commitments to maintain them until they expire, are otherwise disposed of, or are renegotiated. These commitments are not provided for in the financial statements and are:

- not later than one year	1,224,750	1,180,750
- later than one year and not later than five years	3,248,900	3,036,667
- later than five years	1,080,000	1,800,000
	<u>5,553,650</u>	<u>6,017,417</u>

Exploration licenses have been granted for between 1 and 2 years for all States that the Company operates in.

Notes

(1) Includes Exploration commitments of the assets held as available for sale as detailed in Note 22 below.

(b) Development Commitments

The Consolidated entity must meet the following development commitments to maintain its interest in the uranium project.

These commitments are not provided for in the financial statements and are:

- not later than one year ⁽²⁾	14,295,413	20,837,287
- later than one year and not later than five years	-	-
- later than five years	-	-
	<u>14,295,413</u>	<u>20,837,287</u>

Notes

(2) Reflects Alliance's 25% share of the remaining Four Mile Joint Venture development costs until first production. Adjusted for estimated storage and handling costs while project is delayed and estimated re-start up costs.

- Timing regarding the re-start up of development is unknown.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 17. KEY MANAGEMENT PERSONNEL

Directors

The following persons were directors of Alliance Resources Limited during the financial year. Directors were in office for the entire period unless otherwise stated:

Chairman - Non-executive

Mr. J Dunlop

Non-executive Directors

Mr. I Gandel
Mr. T Lethlean
Mr. P Mutz⁽¹⁾

Notes

(1) Mr. P Mutz was Appointed Managing Director on 1 December 2008, resigned as Managing Director effective 28 February 2010 and resigned as a non-executive Director effective 31 August 2010.

Executives (other than directors) with the authority for strategic direction and management

The following persons were the executives with the authority for strategic direction and management of the consolidated entity during the financial year:

Name	Position
Mr. S Johnston ⁽¹⁾	Acting Chief Executive Officer
Mr. I Pamensky	Manager Finance and Company Secretary
Mr. J Fothergill ⁽²⁾	Maldon Site Manager

Notes

(1) Mr. S Johnston was the Chief Executive Officer until the end of November 2008. On 1 December 2008 Mr. Johnston voluntarily stepped into the role of General Manager. He was re-appointed as acting chief executive officer on 28 February 2010.

(2) Mr. J Fothergill is employed by Maldon Resources Pty Ltd. Maldon is classified as available for sale - refer Note 22 below.

	Short-term	Post Employment			Total \$
	Cash Salary & Fees \$	Super-annuation \$	Retirement Benefits \$	Equity Options ⁽³⁾ \$	
2010	993,849	49,643	-	39,692	1,083,184
2009	829,574	52,462	-	374,860	1,256,896

Details of remuneration

Summary of the Director and Executive remuneration for the following financial years:

2010	993,849	49,643	-	39,692	1,083,184
2009	829,574	52,462	-	374,860	1,256,896

Share-based compensation

The terms and conditions of each grant of unlisted options affecting remuneration in the 2009, 2010 or future reporting periods are as follows:

Grant Date	Expiry date	Exercise price	Value per option at grant date	Date exercisable
23 November 2005 - 1,000,000 options ⁽¹⁾⁽²⁾	31 Oct 2008	\$0.20	\$0.0741	33.33% Exercisable on issue, 33.33% exercisable after 30 June 2006 and 33.33% exercisable after 31 December 2006.
2 October 2006 - 625,000 options ⁽³⁾	31 Oct 2009	\$0.80	\$0.2926	50% after 30 June 2007; 50% after 31 December 2007
22 October 2007 - 3,400,000 options ⁽³⁾	31 Oct 2010	\$1.60	\$0.4903	50% exercisable after 30 April 2008 and 50% exercisable after 31 December 2008.
29 November 2007 - 3,000,000 options ⁽¹⁾⁽⁴⁾	31 Oct 2010	\$1.60	\$0.6465	50% exercisable after 31 December 2007 and 50% exercisable after 30 June 2008.
1 December 2008 - 1,000,000 options ⁽¹⁾⁽⁵⁾	31 Oct 2011	\$1.00	\$0.1080	exercisable after 31 December 2008.
1 December 2008 - 1,000,000 options ⁽¹⁾⁽⁵⁾	31 Oct 2011	\$1.20	\$0.0860	exercisable after 31 December 2009.

Further information on share based compensation is included in the Remuneration Section of the Director's Report.

Notes

(1) The terms of the above options were as follows:

- The Options were granted for no consideration.
- Options granted carry no dividend or voting rights.
- The exercise price of the Options was determined by the directors.
- Each Option converts to one ordinary share.
- The vesting date was the date of the options able to be exercised.

(2) The Options granted during the 2006 financial year were approved by shareholders at the 2005 annual general meeting.

(3) Options issued under the Employee Share Option Plan (ESOP) and the terms approved at the 2006 annual general meeting. The Terms of the options were as follows:

- The Options were granted for no consideration.
 - Options granted carry no dividend or voting rights.
 - The exercise price of the Options was determined by the directors.
 - Each Option converts to one ordinary share.
 - The vesting date was the date of the options able to be exercised.
- (4) The Options granted during the 2008 financial year were approved the shareholders at the 2007 annual general meeting
- (5) The Options granted during the 2008 financial year were approved the shareholders at the 2008 annual general meeting

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Unlisted Option Holding

The number of unlisted options over ordinary shares in the company held during the financial year by each director of the Company and each of the executives of the consolidated entity including their personally related entities are set out below:

2010 Name	Balance at start of year ⁽²⁾	Granted during year	Exercised during year	Balance at end of year	% Vested
Directors					
Mr J Dunlop	1,000,000	-	-	1,000,000	100%
Mr P Mutz	2,000,000	-	-	2,000,000	100%
Mr I Gandel	1,000,000	-	-	1,000,000	100%
Mr T Lethlean	1,000,000	-	-	1,000,000	100%
	5,000,000	-	-	5,000,000	
Executives					
Mr S Johnston	1,000,000	-	-	1,000,000	100%
Mr I Pamensky	1,000,000	-	-	1,000,000	100%
Mr J Fothergill	-	-	-	-	
	2,000,000	-	-	2,000,000	
Other - Non key management personnel					
Mr D Cox	200,000	-	(200,000)	-(⁽¹⁾)	
Mr G Ebsworth	250,000	-	-	250,000	
Mr J Krokowski de Vickerod	250,000	-	-	250,000	
Mr L Cox	400,000	-	(150,000) ⁽³⁾	250,000	
Mr N Thomas	100,000	-	-	100,000	
Mr P Padgett	250,000	-	-	250,000	
Ms S Bohlin	175,000	-	(75,000) ⁽³⁾	100,000	
	1,625,000	-	(425,000)	1,200,000	

Notes

(1) Mr Cox resigned on 10 July 2009 and his options were subsequently cancelled.

(2) The Exercise prices of the Unlisted Options at the start of the financial year were 80 cents, \$1.00, \$1.20 and \$1.60.

(3) Options expired on 30 September 2009 and were cancelled.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

2009 Name	Balance at start of year ⁽²⁾	Granted during year ⁽³⁾	Exercised during year	Balance at end of year	% Vested
Directors					
Mr J Dunlop	1,000,000	-	-	1,000,000	100%
Mr P Mutz	-	2,000,000	-	2,000,000	50%
Mr I Gandel	2,000,000	-	(1,000,000)	1,000,000	100%
Mr T Lethlean	1,000,000	-	-	1,000,000	100%
	4,000,000	2,000,000	(1,000,000)	5,000,000	
Executives					
Mr S Johnston	1,000,000	-	-	1,000,000	100%
Mr I Pamensky	1,000,000	-	-	1,000,000	100%
Mr J Fothergill	-	-	-	-	
	2,000,000	-	-	2,000,000	
Other - Non key management personnel					
Mr D Cox	200,000	-	-	200,000 ⁽¹⁾	
Mr G Ebsworth	250,000	-	-	250,000	
Mr J Krokowski de Vickerod	250,000	-	-	250,000	
Mr L Cox	400,000	-	-	400,000	
Mr N Thomas	100,000	-	-	100,000	
Mr P Padgett	250,000	-	-	250,000	
Ms S Bohlin	175,000	-	-	175,000	
	1,625,000	-	-	1,625,000	

Notes

(1) Mr Cox resigned on 10 July 2009 and his options were subsequently cancelled.

(2) The Exercise prices of the Unlisted Options at the start of the financial year were 20 cents, 80 cents and \$1.60. The 20 cent options expired on 31 October 2008. All 20 cent options were exercised before 31 October 2008.

(3) The Exercise prices of the Unlisted Options issued during the 2009 Financial year are 50% at \$1.00 and 50% at \$1.20. These options expire on 31 October 2011

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

Share Holdings

The number of ordinary shares in the company held during the financial year by each director of the Company and each of the Executives of the consolidated entity including their personally related entities are set out below:

2010 Name	Balance at start of year	Acquired during year	Sold during year	Balance at end of year
Directors				
Mr J Dunlop	6,662,403	558,535	(505,000)	6,715,938
Mr P Mutz	88,815	7,403	-	96,218
Mr I Gandel	87,875,150	-	-	87,875,150
Mr T Lethlean	1,650,000	-	-	1,650,000
Executives				
Mr S Johnston	5,246,297	270,526	-	5,516,823
Mr I Pamensky	1,600,000	100,000	-	1,700,000
Mr J Fothergill	-	-	-	-

2009 Name	Balance at start of year	Acquired during year	Sold during year	Balance at end of year
Directors				
Mr J Dunlop	6,702,403	-	(40,000)	6,662,403
Mr P Mutz	-	88,815 ⁽¹⁾	-	88,815
Mr I Gandel	86,875,150	1,000,000	-	87,875,150
Mr T Lethlean	1,650,000	-	-	1,650,000
Executives				
Mr S Johnston	5,219,445	26,852	-	5,246,297
Mr I Pamensky	1,600,000	-	-	1,600,000
Mr J Fothergill	-	-	-	-

Notes

(1) Shareholding on becoming a Director.

NOTE 18. FINANCIAL AND CAPITAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Group's management of financial risk is aimed at ensuring the Group will continue as a going concern and that net cash flows are sufficient to:

- meet all its financial commitments as and when they fall due; and
- maintain the capacity to fund its forecast project developments and exploration strategy.

The Group monitors and tests its forecast financial position against these criteria.

The Group's principal financial instruments comprise cash, short-term deposits and available-for-sale investments. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. There have been no changes during the current financial year.

The main risks arising from the consolidated entity's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are described below.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

(b) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the Group's functional currency.

The Group operates solely in Australia and at present has no foreign exchange exposure. The Group will potentially have exposure in the future as most commodities the Group explores for are traded in US Dollars.

(ii) Commodity price risk

The Group's future revenues will be exposed to commodity price fluctuations, in particular gold and uranium prices. If commodity prices fall, the market for companies exploring for these commodities is affected.

(iii) Interest rate risk

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

The financial instruments exposed to interest rate risk are as follows:

	Consolidated 2010 \$	Consolidated 2009 \$
Financial Assets		
Cash and cash equivalents	38,429,066	43,250,408
Receivables	764,000	509,000

The following table summarises the sensitivity of the fair value of financial instruments held at balance date, following a movement in interest rates, with all other variables held constant. A 1% interest rate change sensitivity is based on reasonably possible changes over a financial year.

	Impact on Profit / Equity	
	Consolidated 2010 \$	Consolidated 2009 \$
Post-tax gain/ (loss)		
Current rates +1%	391,931	434,129
Current rates -1%	(391,931)	(434,129)

(iv) Price risk

The Group is exposed to equity securities price risk. This arises from investments held and classified on the balance sheet as available-for-sale. The listed investments are traded on the ASX and the unlisted options are valued independently.

The following table sets out the carrying amount of the consolidated entity's exposure to equity securities price risk on available for sale investments. Also included is the effect on profit and equity after tax if these prices at that date had been 25% higher or lower with all other variables held constant as a sensitivity analysis:

The following table demonstrates the impact of a 25% increase or decrease in fair values on the results and equity.

	Notes	Consolidated 2010 \$	Consolidated 2009 \$
Financial assets			
Listed securities - Equities	6	38,171	143,140
A sensitivity of 25% has been selected as this is considered reasonable given the current and recent trending and volatilities of both Australian and international stock markets.			
Market price +25%			
Profit		-	-
Equity		9,543	35,785
Market price -25%			
Profit		(9,543)	(35,785)
Equity		-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

(c) Liquidity risk

The liquidity position of the Group is managed to ensure sufficient liquid funds are available to meet financial commitments on a timely and cost-effective manner.

The liquidity position is monitored based on short term forecasts to maintain an appropriate liquidity level.

	Payables ageing analysis between			
	Total \$	<30 days \$	30-60 days \$	>60 days \$
2010 Consolidated				
Trade creditors	516,451	516,451	-	-
Accrued expenses	156,609	156,609	-	-
Total payables	673,060	673,060	-	-
2009 Consolidated				
Trade creditors	402,084	402,084	-	-
Accrued expenses	1,243,178	1,243,178	-	-
Total payables	1,645,262	1,645,262	-	-

(d) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

At balance date the major concentration of credit risk related to cash and cash equivalents. Cash and cash equivalents at balance date amounted to \$38,429,069 (2009: \$43,250,408). The credit risk on cash and cash equivalents is limited as the counterparties are banking institutions with high credit ratings assigned by international credit-rating agencies.

The maximum exposure to credit risk on financial assets recognised on the statement of financial position is generally the carrying amount, net of any allowance for doubtful debts.

	Consolidated 2010 \$	Consolidated 2009 \$
Current		
Cash and cash equivalents	38,429,066	43,250,408
Other receivables	478,722	235,532
	38,907,788	43,485,940
Non-current		
Term deposits	40,000	40,000
	40,000	40,000

The ageing of receivables at reporting date was as follows:

	Payables ageing analysis between			
	Total \$	<30 days \$	30-60 days \$	>60 days \$
2010 Consolidated				
Other receivables	478,722	478,722	-	-
Total receivables	478,722	478,722	-	-
2009 Consolidated				
Other receivables	235,532	235,532	-	-
Total receivables	235,532	235,532	-	-

No receivables are impaired or past due at balance date (2009: nil)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

(e) Financing facilities

No financing facilities are currently in place.

(f) Hedging

No hedging is currently transacted.

(g) Maturity profile

The maturity profile on financial assets and liabilities was as follows:

	Note	Floating interest rate \$	Fixed interest maturing in: 1 year or less \$	Non-interest bearing \$	Total \$
2010 Consolidated					
Financial assets					
Cash and cash equivalents		10,429,066	28,000,000	-	38,429,066
Receivables	5	-	40,000	478,722	518,722
		10,429,066	28,040,000	478,722	38,947,788
Financial Liabilities					
Payables	11	-	-	(673,060)	(673,060)
Net financial assets (liabilities)		10,429,066	28,040,000	(194,338)	38,274,728
2009 Consolidated					
Financial assets					
Cash and cash equivalents		15,250,408	28,000,000	-	43,250,408
Receivables	5	-	40,000	235,532	275,532
		15,250,408	28,040,000	235,532	43,525,940
Financial Liabilities					
Payables	11	-	-	(1,645,262)	(1,645,262)
Net financial assets (liabilities)		15,250,408	28,040,000	(1,409,730)	41,880,678

(h) Fair values

For financial assets and liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form, other than listed investments. The consolidated entity has no financial assets where carrying amount exceeds net fair values at balance date.

The financial assets recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

All listed investments are recognised at fair value at 30 June 2010 and have been classified within Level 1. The fair value of these listed investments has been based on the closing quoted bid prices at the end of the reporting period.

(i) Capital Management

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

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

The Company currently has no debt.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Consolidated 2010 \$	Consolidated 2009 \$
NOTE 19. LOSS PER SHARE		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted loss per share	340,424,179	275,805,459
Loss from continuing operations	(3,827,890)	(3,897,014)
Loss from discontinuing operations	(1,014,900)	(18,998,487)
Loss used in calculation of basic and diluted loss per share	(4,842,790)	(22,895,501)

Potential ordinary shares are not considered dilutive:

As at 30 June 2010, the company had options on issue over unissued capital (refer note 14). As the notional exercise of these options would decrease basic loss per share, they have not been considered dilutive.

NOTE 20. AUDITORS REMUNERATION

Total amount paid/ payable to PKF for:

Under accrual of audit and review fees in prior period	20,538	16,100
Audit and review of the financial report	50,167	40,000
Other services - taxation compliance	22,970	16,270
	93,675	72,370

NOTE 21. SEGMENT INFORMATION

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

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

NOTE 22. DISCONTINUED OPERATION

(a) Description

On 3 November 2008, Alliance announced the suspension of underground operations at the Maldon Gold Project in Victoria, in order to focus its resources on the development of the Four Mile Uranium Project and the commencement of a period of care and maintenance for the project. Alliance is currently considering various options including an ASX listing, or divestment, of the Maldon assets.

(b) Financial performance and cashflow information

Sales revenue	-	784,507
Cost of sales	(16,077)	(636,166)
	(16,077)	148,341
Other revenues from activities	25,673	20,515
Expenses	(1,024,496)	(1,766,190)
Impairment of Exploration Costs ⁽¹⁾	-	(17,401,153)
Loss after income tax	(1,014,900)	(18,998,487)
Net cash outflow from operating activities	(1,452,534)	(7,233,346)
Net cash outflow from investing activities	(282,030)	(1,093,872)
Net decrease in cash from discontinued operation	(1,734,564)	(8,327,218)

Notes

(1) Refer Note 9 for further details on impairment of exploration assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Consolidated 2010 \$	Consolidated 2009 \$
(c) Carrying amounts of assets and liabilities.		
Current Assets		
Cash and cash equivalents ⁽¹⁾	-	-
Receivables	22,479	53,325
Inventory	84,350	84,350
Other	65,984	60,528
Total Current Assets	172,813	198,203
Non Current Assets		
Receivables	724,000	469,000
Property, plant and equipment	1,113,457	1,282,564
Exploration and evaluation	7,492,191	7,054,558
Total Non Current Assets	9,329,648	8,806,122
Total Assets	9,502,461	9,004,325
Current Liabilities		
Payables	106,018	103,942
Provisions	42,067	59,024
Total Current Liabilities	148,085	162,966
Non Current Liabilities		
Provisions	750,000	750,000
Total Non Current Liabilities	750,000	750,000
Total Liabilities	898,085	912,966
Net Assets	8,604,376	8,091,359

Notes

(1) It is assumed that the Maldon Resources Pty Ltd cash at bank will not form part of the sale of Maldon.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

NOTE 23. RELATED PARTY INFORMATION

Key Management Personnel

Disclosures relating to directors and executives are set out in note 17 and the remuneration report in the directors' report.

Wholly owned group

The wholly owned group consists of Alliance Resources Limited and its subsidiaries. Details of the subsidiaries and ownership interests are set out in note 24.

Other transactions with related parties

Aggregate amounts of transactions with director related parties of Alliance Resources Limited:

	Consolidated 2010 \$	Consolidated 2009 \$
Amounts recognised as expense:		
Fees in terms of management service agreement ⁽¹⁾⁽²⁾	402,129	458,473
Fees in terms of gold sector research mandate ⁽³⁾	-	30,000
Fees in terms of share placement engagement letter ⁽⁴⁾	132,919	614,512
Travel agent fees and airline costs ⁽⁶⁾	141	7,401
Aggregate amounts payable at balance date relating to the above transactions:		
Current liabilities - payables and accruals ⁽⁵⁾	101,600	61,827

Notes

- (1) Includes fees for staff & executive costs, office space, amenities and specialised exploration software.
- (2) Mr. I Gandel is a director and shareholder of Abbotsleigh Pty Ltd ("Abbotsleigh"). Alliance entered into a management service agreement with The Gandel Metals Trust. Abbotsleigh is the ultimate parent entity of the Gandel Metals Trust. The contract was based on normal commercial terms. Gandel Metals Trust has the ability to add a mark-up of 15% on all charges. To 30 June 2010 Gandel Metals Trust only charged a mark-up of 15% on the time spent by Gandel Metals employees costs allocated to Alliance Resources Limited and subsidiaries.
- (3) Mr Tony Lethlean is a Director of Helmsec Global Capital Limited. Helmsec undertook a review of the Australian Gold Sector on behalf of Alliance. The fees charged were based on normal commercial terms.
- (4) Mr Tony Lethlean is a Director of Helmsec Global Capital Limited. Helmsec and Bell Potter Securities Limited were appointed Joint Lead Managers (JLM) for a Share Placement undertaken by Alliance. The fees charged were based on normal commercial terms. The JLM's shared the fees on a 50:50 basis. The amounts disclosed represent Helmsec's share of the Fees.
- (5) Includes amounts outstanding in terms of agreements noted in Notes (1) and (2) above, Director Fees and Director Consulting Fees.
- (6) Charges by Travel Managers Australia Pty Ltd ("TMA"). Mr Patrick Mutz's spouse is an independent travel consultant for TMA. TMA provided travel agent services on normal commercial terms.

NOTE 24. CONTROLLED ENTITIES

Particulars in relation to controlled entities

	Country of incorporation	Type of shares	2010 %	2009 %
Alliance (NSW) Pty Ltd	Australia	Ordinary	100	100
Alliance (SA) Pty Ltd	Australia	Ordinary	100	100
Alliance Craton Explorer Pty Ltd	Australia	Ordinary	100	100
Maldon Resources Pty Ltd ⁽¹⁾	Australia	Ordinary	100	100

Notes

- (1) Maldon Resources Pty Ltd is classified as Available for sale - refer Note 22 above.

NOTE 25. PARENT ENTITY INFORMATION

Particulars in relation to Alliance Resources Limited (the parent entity)

Current assets	48,100,268	51,031,552
Total assets	62,856,455	57,518,418
Current liabilities	(551,066)	(523,018)
Total liabilities	(551,066)	(523,018)
Issued capital	98,918,022	90,665,388
Accumulated losses	(40,465,069)	(37,482,732)
Share option reserve	3,852,436	3,812,744
Total shareholders' equity	62,305,389	56,995,400
Loss of the parent entity	(2,982,338)	(22,974,239)
Total comprehensive loss of the parent entity	(2,982,338)	(22,974,239)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

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

NOTE 26. EVENTS OCCURRING AFTER BALANCE DATE

Other than those matters described below, since 30 June 2010, the Directors are not aware of any matter or circumstance that has significantly or may significantly affect the operations of the consolidated entity or the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

Four Mile Uranium Joint Venture, South Australia (Alliance 25%), the Company reported:

- Misleading and Deceptive Conduct (Jurisdiction: Federal Court of Australia (Melbourne))
 - On 12 July 2010 (post reporting), Alliance announced that ACE had issued further proceedings against Quasar and Heathgate seeking damages from Heathgate and damages and restitution of the 75% interest in the exploration licence over the Four Mile area (EL 3666) from Quasar arising from Quasar's and Heathgate's failure to disclose to ACE information concerning the prospectivity of part of that tenement. ACE contends that Quasar engaged in misleading or deceptive conduct in contravention of section 52 of the Trade Practices Act 1974 (Cth) and section 9 of the Fair Trading Act 1999 (Vic) and that Heathgate assisted or participated in the contraventions committed by Quasar. ACE also contends that Quasar - with the assistance or participation of Heathgate - breached its obligations under the Joint Venture Agreement, its fiduciary obligations owed to ACE and misused confidential information when Quasar sought, and obtained, a one-year extension of the earn-in period and, subsequently, the transfer of a 75% interest in the exploration licence.
 - As the statement of claim contains confidential information which, under the joint venture agreement with Quasar, ACE is obliged not to disclose, by consent, the Court has ordered that the statement of claim and the defences and reply (which are yet to be filed) be treated as confidential until further order.
 - The documents were filed on 12 July, 2010. Quasar and Heathgate each delivered its defence on 16 September, 2010.

Corporate

- Mr Patrick Mutz resigned as a non-executive director effective 31 August 2010.
- Maldon Gold Project - Alliance has entered into discussions with newly formed Octagonal Resources Limited, which is looking to consolidate a number of projects in central Victoria, with Maldon as a production hub. No terms of sale have yet been agreed and, if the sale were to proceed, shareholder approval will be sought.

NOTE 27. CONTINGENT ASSETS AND LIABILITIES

Refer to note 26 for details on legal proceedings for compensation against Quasar and Heathgate.

DIRECTOR' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 32 to 57 and the Remuneration report in the Directors Report set out on pages 10 to 16 are in accordance with the Corporations Act 2001, including:
 - i. complying with Australian Accounting Standards (including the Australian Accounting interpretations) and Corporations Regulations 2001; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (c) the financial report also complies with the International Financial Reporting Standards issued by the International Accounting Standard Board (IASB) as disclosed in note 1(a).

The Directors have been given the declarations by the Chief Executive Officer and Manager Finance & Company Secretary for the financial year ended 30 June 2010 as required by Section 295A of the Corporations Act 2001.

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

Signed this 28th day of September 2010



John Dunlop
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIANCE RESOURCES LIMITED



Chartered Accountants
& Business Advisers

Report on the Financial Report

We have audited the accompanying financial report of Alliance Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising Alliance Resources Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of Alliance Resources Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001, and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 16 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Alliance Resources Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

PKF

28 September 2010
Melbourne

D J Garvey
Partner

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ADDITIONAL ASX DISCLOSURE

For the year ended 30 June 2010

The shareholder information set out below was applicable as at 31 August 2010.

Distribution of Equity Securities

Distribution of holdings	Number of holders
1-1,000	1,365
1,001 – 5,000	2,622
5,001 – 10,000	1,295
10,001 – 100,000	2,172
100,001 and over	268
	7,722
Minimum \$500.00 parcel at \$0.33 per unit	1,516

Equity Security Holders

Twenty largest quoted equity security holders as at 02 September 2010.

Rank	Name	Units	% of Units
1.	ABBOTSLEIGH PTY LTD	87,875,150	25.76
2.	NATIONAL NOMINEES LIMITED	17,747,584	5.20
3.	J P MORGAN NOMINEES AUSTRALIA LIMITED	13,693,048	4.01
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	12,778,657	3.75
5.	NEFCO NOMINEES PTY LTD	7,752,000	2.27
6.	ANZ NOMINEES LIMITED <CASH INCOME A/C>	7,742,518	2.27
7.	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	6,985,886	2.05
8.	JOHN S DUNLOP NOMINEES PTY LTD <JOHN S DUNLOP FAM SUPER A/C>	6,070,000	1.78
9.	HOLBROOK CORPORATION PTY LTD	4,747,821	1.39
10.	CITICORP NOMINEES PTY LIMITED	4,313,147	1.26
11.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	4,078,334	1.20
12.	MINLINK PTY LTD <STEPHEN JOHNSTON S/FUND A/C>	3,487,733	1.02
13.	ANZ NOMINEES LIMITED <AUS CASH INCOME A/C>	3,239,332	0.95
14.	COGENT NOMINEES PTY LIMITED	2,882,603	0.84
15.	MINLINK PTY LTD <SF JOHNSTON FAMILY A/C>	2,000,000	0.59
16.	HOLBROOK CORPORATION PTY LTD	1,752,179	0.51
17.	AUSTRALIAN REWARD INVESTMENT ALLIANCE	1,749,341	0.51
18.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,725,000	0.51
19.	RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <PISELECT A/C>	1,527,882	0.45
20.	MICHAEL JOHN WILLIAMS	1,445,000	0.42
Totals: Top 20 holders of ordinary fully paid shares (total)		193,593,215	56.74
Total Remaining Holders Balance		147,579,094	43.26

Unquoted equity securities

	Number on issue	Number of holders
Unlisted options – Exercise price \$1.60, expire 31 Oct 2010	3,200,000	8
Unlisted options – Exercise price \$1.60, expire 31 Oct 2010	3,000,000	3
Unlisted options – Exercise price \$1.00, expire 31 Oct 2011	1,000,000	1
Unlisted options – Exercise price \$1.20, expire 31 Oct 2011	1,000,000	1

Substantial Shareholder

	Shares	%
ABBOTSLEIGH PTY LTD	86,875,150	25.76%

ADDITIONAL ASX DISCLOSURE

For the year ended 30 June 2010

VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

(a) Ordinary shares

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.

(b) Unlisted options

No voting rights

EMPLOYEE SHARE OPTION PLAN

At a General Meeting held in November 2006, shareholders approved the adoption of the Company's Employee Share Option Plan. Details of shares issued under the plan are detailed in the Directors Report.

AUDIT COMMITTEE

At the date of the Directors Report, the Company has a committee of three Directors, the majority of the committee are independent Directors. The committee meets with the Company's external auditors at least once during each half-year. These meetings will normally take place before the completion of the half-year financial statements and the Annual Report and prior to the signing of the Audit Report.

REMUNERATION COMMITTEE

At the date of the Directors Report, the Company has a committee of three Non-Executive Directors which will meet at least once during each half-year.

NOMINATION COMMITTEE

At the date of the Directors Report, the Company has a committee of three Non-Executive Directors which will meet at least once during each half-year.

Mining Tenements

Location	Holder	Mineral	Tenement	Expiry Date	Interest (%)	Notes
Maldon, Victoria	Maldon Resources Pty Ltd	Gold	EL3422	30/06/2011	100	1
Maldon, Victoria	Maldon Resources Pty Ltd	Gold	EL5177	07/04/2014	100	1
Maldon, Victoria	Maldon Resources Pty Ltd	Gold	MIN5146	17/12/2016	100	1
Maldon, Victoria	Maldon Resources Pty Ltd	Gold	MIN5528	17/12/2016	100	1,6
Maldon, Victoria	Maldon Resources Pty Ltd	Gold	MIN5529	-	100	1, 6
Warrina, SA	Alliance (SA) Pty Ltd	Copper-gold	EL3533	21/03/2011	100	1, 2
Frome Basin, SA	Alliance Craton Explorer Pty Ltd	Copper-gold/ Uranium	EL3666	04/12/2010	25	1,2,3
Frome Basin, SA	Alliance Craton Explorer Pty Ltd	Copper-gold/ Uranium	MC3955-4017 ⁽⁴⁾		25	1,2,3,4
Broken Hill, NSW	Alliance (NSW) Pty Ltd	Gold/ Base Metals	EL6836	8/07/2011	100	1
Broken Hill, NSW	Alliance (NSW) Pty Ltd	Gold/ Base Metals	EL7128	20/04/2010 ⁽⁵⁾	100	1
Broken Hill, NSW	Alliance (NSW) Pty Ltd	Gold/ Base Metals	EL7210	01/10/2010	100	1
Broken Hill, NSW	Alliance (NSW) Pty Ltd	Gold/ Base Metals	ELA4021	-	100	1,6

Notes

- Tenements as at 2 September 2010
- Subject to a 1% net smelter return royalty
- Subject to a joint venture. Alliance holds 25% and Quasar Resources Pty Ltd holds 75%
- Minerals Claims/ Mining Lease - Applications for 63 mineral claims have been lodged within EL3666. A Mining Lease application has been lodged over the area of the Mineral Claims.
- Renewal is currently being sought.
- Tenement application



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