



ALLIANCE
RESOURCES
LIMITED

ANNUAL REPORT

2012

Chairman's letter to shareholders	1
Review of operations	2
Directors' report	8
Corporate governance statement	22
Auditors' independence declaration	34
Financial report	35
Statement of comprehensive income	36
Statement of financial position	37
Statement of changes in equity	38
Statements of cash flows	39
Notes to the financial statements	40
Directors' declaration	71
Independent audit report	72
Additional ASX information	74

Corporate Directory

Directors

John S F Dunlop

Chairman

Steve F Johnston

Managing Director

Ian J Gandel

Director

Tony D Lethlean

Director

Company Secretary

Ian C Pamensky

Manager Finance & Company Secretary

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ASX Code

AGS

Chairman's Letter to Shareholders

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

The Four Mile uranium project in South Australia continues to be the Company's flagship asset with a long-term production potential comprising an Indicated and Inferred mineral resource estimate of 9.8 million tonnes @ 0.33% uranium oxide (U₃O₈) containing 32,000 tonnes (71 million lb) contained U₃O₈, classified in accordance with the JORC Code.

Subsequent to the settlement of the legal proceedings in relation to Native Title Mining Agreement in February 2012 a 10-year mineral lease over the Four Mile Uranium Project area was granted by the South Australian Minister for Mineral Resources and Energy to Quasar (as to 75%) and Alliance Craton Explorer Pty Ltd (as to 25%). Under the terms of the grant, production is required to commence within 2 years.

Alliance's 100% owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE) progressed two legal proceedings against Quasar Resources Pty Ltd (Quasar) and its affiliate, Heathgate Resources Pty Ltd (Heathgate), in the Federal Court of Australia. Details of these proceedings are set out in the Directors' Report and on the Company's website. The Board has instructed its legal counsel to do all in their power to ensure these actions proceed in a timely manner. Nevertheless, it will inevitably take some time before all preliminary matters are resolved and the Court sets a trial date.

Although work on the Four Mile project continued to be scaled down over the last 12 months, the Company has sought to consolidate its long-term involvement in - and commitment to - the Four Mile project by entering into a strategic alliance with ITOCHU Corporation.

ITOCHU Corporation is a Fortune Global 500 company based in Japan with net income exceeding A\$3.7 billion and a market capitalisation of approximately A\$16 billion. It has extensive global interests in the uranium sector and is one of the major uranium traders in the world.

Under the terms of the strategic alliance, ITOCHU, through its wholly owned subsidiary NURA 3 Pty Ltd ("ITOCHU"), will have the right to subscribe for 59,735,223 shares in Alliance or 14.9% of the issued share capital in ACE under a deferred share rights deed ("Deed"). In addition, if ITOCHU exercises its right to take up shares, it will have an option ("Option") to subscribe for 25.1% of equity in ACE. The deferred share rights ("DSRs") may be converted under certain circumstances, including completion of the current litigation in relation to the Four Mile project.

A general meeting of shareholders was held on 15 August 2012 (post-reporting) at which the issue of DSRs to ITOCHU and their conversion into shares in accordance with the terms of the Deed was approved.

With regard to the Company's other projects, during the year Alliance has:

- Established a significant copper-gold project in Chile by secured option agreements to explore and the right to acquire a 90% interest in three copper-gold properties in the historic Cabeza de Vaca district in northern Chile. Through its wholly-owned subsidiary, Alliance (Chile) Pty Ltd, the Company has also submitted applications to acquire three exploration licences covering the greater part of the Cabeza de Vaca district. Negotiations to acquire additional mine properties in the district are continuing.
- Identified a significant geophysical conductor proximal to the BigNE gravity anomaly at the Warrina Copper-Gold project in South Australia. Further work is required to refine this target for drill testing.
- Completed electrical geophysical surveys over six priority gravity anomalies at the East Frome Copper-Base Metals project in New South Wales. The results of some of these surveys are encouraging and further work is planned.

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

We look forward to a positive and timely resolution of the outstanding legal and other issues relating to the Four Mile project.

John Dunlop
Chairman

Review Of Operations

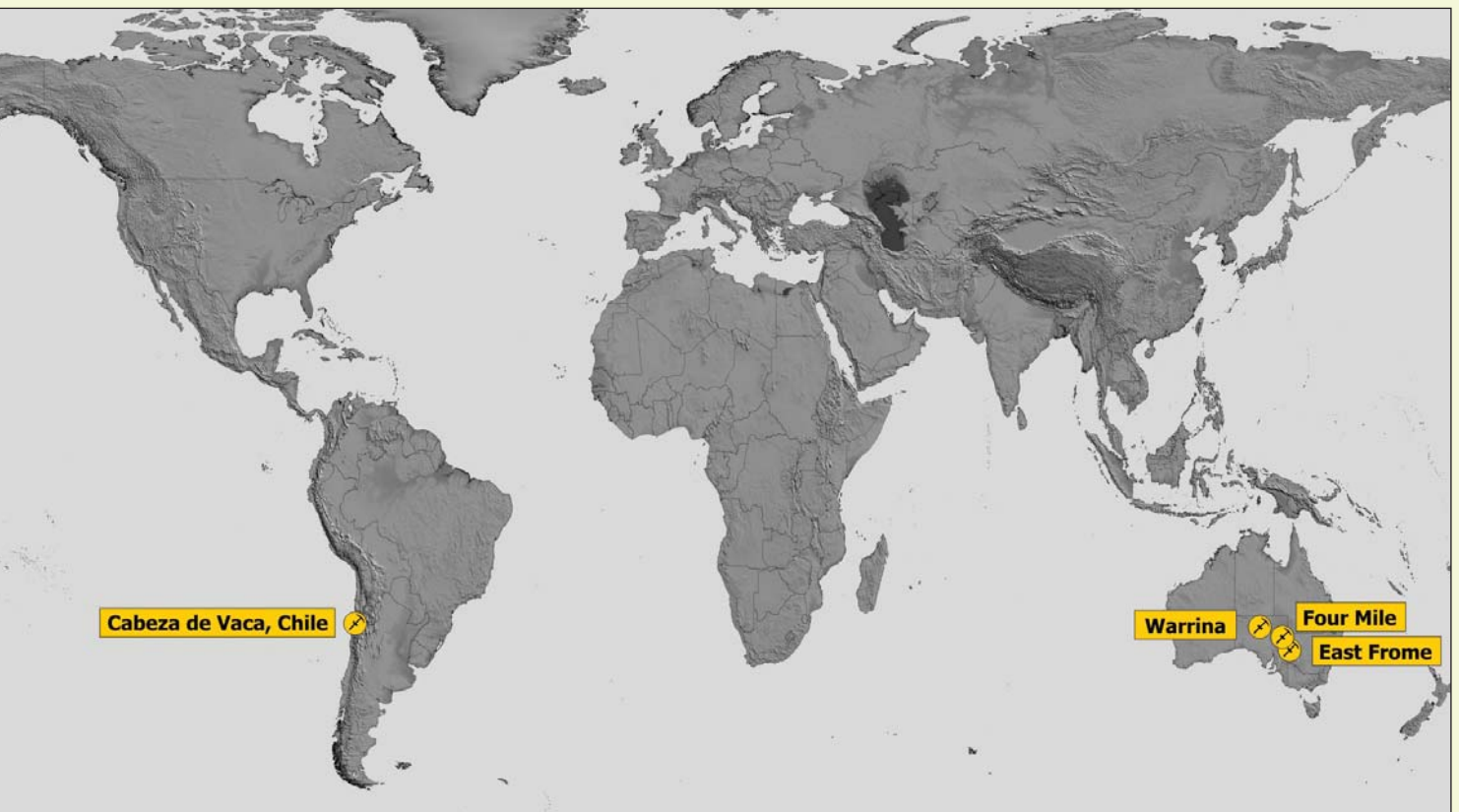


Figure 1: Project Locations

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

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 the Project. Quasar Resources Pty Ltd (Quasar) is the registered holder of the remaining 75% and is the manager of the Project.

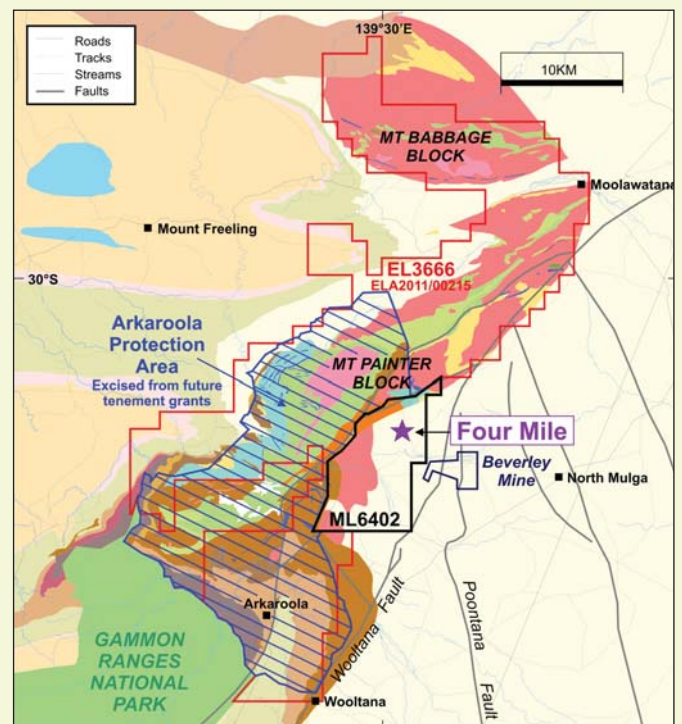


Figure 2: Four Mile Project showing proposed Arkaroola Protection Area

Mineral Resources

The total Inferred and Indicated mineral resource estimate for the Four Mile Uranium Project is as follows:

Deposit	GT Cutoff m%	Mass tonnes	U ₃ O ₈ %	U ₃ O ₈ Tonnes	U ₃ O 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 West¹	0.10	5,700,000	0.34	19,000	42	
Four Mile East ²	0.10	4,100,000	0.31	13,000	29	Inferred
TOTAL	0.10	9,800,000	0.33	32,000	71	

Table 1: Four Mile Uranium Project - Mineral Resource Estimate as at 30 June 2012*

* 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.

1 Announced on 27 January 2010.

2 Announced on 25 June 2009.

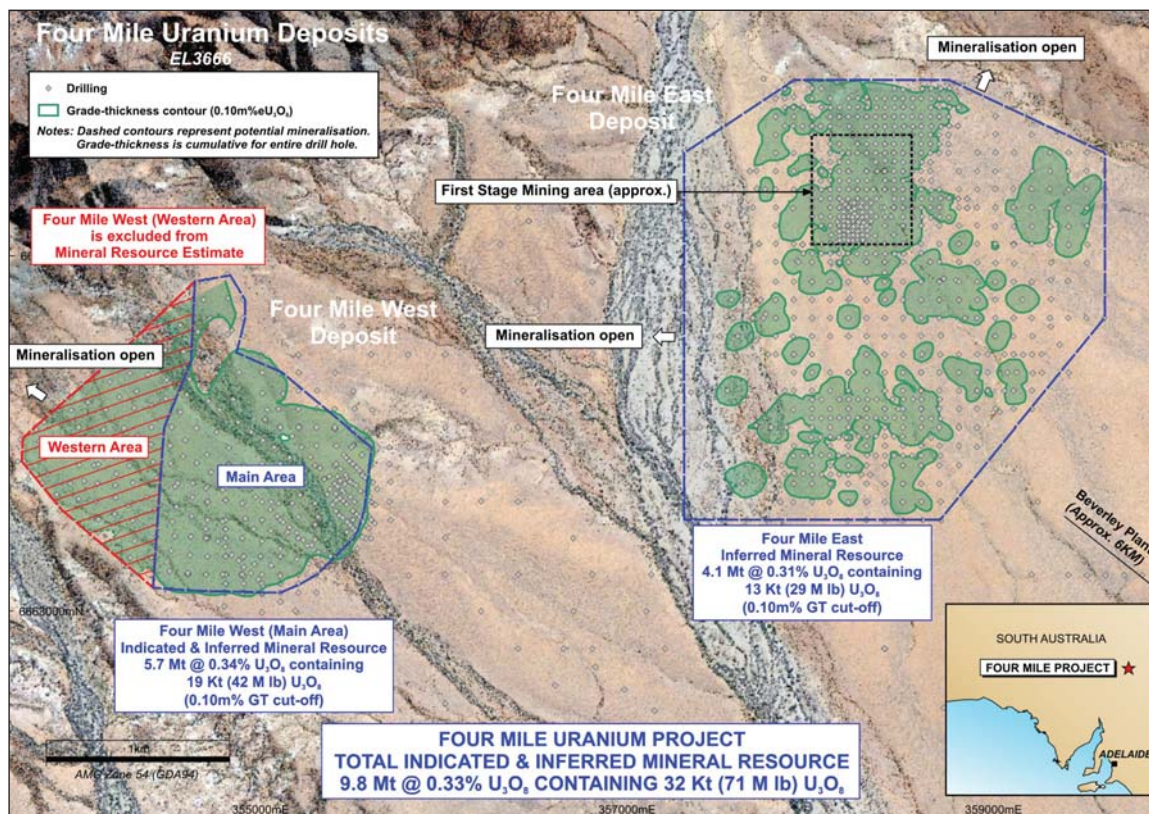


Figure 3: Four Mile East and Four Mile West uranium deposits

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 U₃O₈ grade, with up to 1 m of internal dilution allowed. The intercept parameters are similar to those used at Beverley, but varied slightly to match the individual geometry of these deposits. 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.

Review Of Operations

Legal Proceedings

Information on the legal proceedings is set out in the Directors Report on pages 8 - 21 of this annual report and further information is regularly updated on the Company website www.allianceresources.com.au

Mineral Lease

On 26 April 2012 Quasar (as to 75%) and ACE (as to 25%) were granted a 10 year mineral lease over the Four Mile Uranium Project area by the South Australian Minister for Mineral Resources and Energy.

Exploration & Development

An application for a replacement of EL3666 (ELA 2011/00215), which was lodged with the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) in late 2011, is in progress.

Interpretation and 3D modelling of the high resolution seismic data collected over the Four Mile Mineral Lease during early 2011 continued.

Quasar advised in its monthly report for January 2012 that, in anticipation of the offer of a grant of the Mineral Lease, engineering studies were commenced. These studies included evaluation of the Four Mile Project with respect to impacts from the period of delay on knowledge, regulations, equipment condition, technical developments and available infrastructure. These activities continued through May 2012.

There were no wells drilled during the year. A total of 81 wells have been airlifted since the grant of the mineral lease.

Contributions to Development

Alliance paid \$543,580 towards the cost of development of the Four Mile Uranium Project during the financial year (\$15,395,749 project-to-date)³.

Arkaroola Protection Area

On 22 July 2011, the Premier of South Australia, the Hon Mike Rann MP announced the establishment of the Arkaroola Protection Area (Area) that will, as a first step, be reserved from operation under the South Australian Mining Act by proclamation. In due course it is proposed to enact legislation protecting the Area and an application for World Heritage Listing will follow.

As a consequence, future exploration and mining titles will not be granted in the designated Area.

The Four Mile (both East and West) deposits, the Four Mile South prospect and the area of the mining lease application (MLA) are outside the Area and are not affected by this announcement. Figure 2 shows the impact of this announcement.

However the Area does cover approximately 38% of the tenement. As a consequence, that area will be excluded from the replacement EL which is expected to issue later this year.

While Alliance is pleased that the Four Mile Project is unaffected, it is disappointed that it will be denied the opportunity to more fully explore a significant part of the tenement which is highly prospective for primary uranium, copper, gold, tin and base metals.

WARRINA COPPER-GOLD PROJECT (Alliance (SA) Pty Ltd 100%)

The Warrina Project is located 70 km to the northeast of Coober Pedy in the Gawler province of South Australia. Alliance is targeting Olympic Dam style breccia-hosted iron-oxide copper-gold mineralisation. The BigNE prospect is a very large geophysical target located in the eastern half of EL4802 characterised by an isolated magnetic high that trends northeast for over 10 kilometres associated with a significant offset gravity anomaly.

3D inversion modelling of the full-tensor magnetotelluric (MT) data from the survey completed during the year at BigNE has identified a NE-trending, NE-plunging conductor with approximate dimensions of 1500(l) x 300(w) x 1200(d) metres, centred at approximately 6847600N/520400E (MGA53) commencing at about 360 metres vertical depth. Conductive overburden dominates the MT response, and this plus the combination of widely-spaced data (400m grid) and the non-uniqueness of the inversion procedure limit the spatial precision with which the target can be imaged. A study is in progress to determine the optimum geophysical method for obtaining improved spatial resolution of the target prior to drill testing.

An additional 200m x 200m spaced gravity survey was completed during the year at BigNE. The results confirm a residual gravity anomaly centred a few hundred metres northwest of the MT conductor and diamond hole BNE05 (Figure 1). Further geophysics is required to better define the gravity and MT targets for drill testing.

Diamond hole BNE05 (6847775N/520290E (MGA53)), drilled in 2008, is within the north-western flank of the interpreted conductive body, but does not appear to have tested its most conductive part. BNE05 (total depth 846.3 metres) intersected eight narrow (averaging <2 metres) and discontinuous intervals of anomalous copper between 385.4 and 786.0 metres associated with hematite-

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

carbonate veins, breccia with veins containing minor sulphide mineralisation, within dominantly metapsammitic and metapelitic units. A 12m intersection of metapelites between 719m and 731m down hole depth averages 3151 ppm Zn.

Native Title mining agreements were executed with the Arabana (formerly Arubunna) People's Native Title Claim Group and the Antakirinja Matu-Yankunytjatjara Aboriginal Corporation. Both agreements have been endorsed in the DMITRE Mining Register.

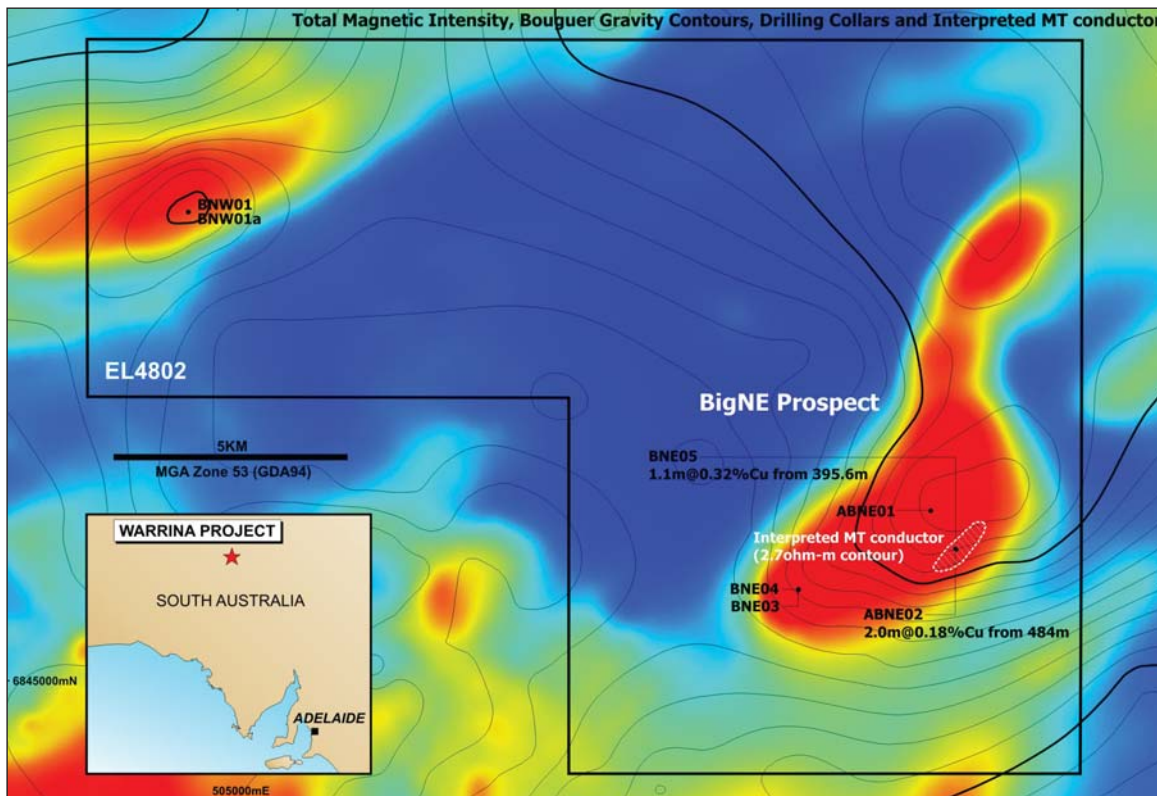


Figure 4: Warrina Project - Background image is total magnetic intensity overlain by Bouguer gravity contours, drill collars and interpreted MT conductor

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

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

Induced polarisation (IP) electrical geophysical surveys over six priority gravity anomalies were completed during 2012 with the aim of identifying potential conductors to assist with targeting of drill holes.

A 3D IP survey for a total of 14 line kilometres was completed over anomaly A at Umberumberka, a geophysical anomaly defined by near coincident magnetic and gravity anomalies in the central project area.

2D IP lines were also completed over Anomaly H1, H3 and H4 in the southern project area and Anomalies N and NE in the northern project area for a total of 10.9 line kilometres. The results of some of these surveys are encouraging and further work is planned.

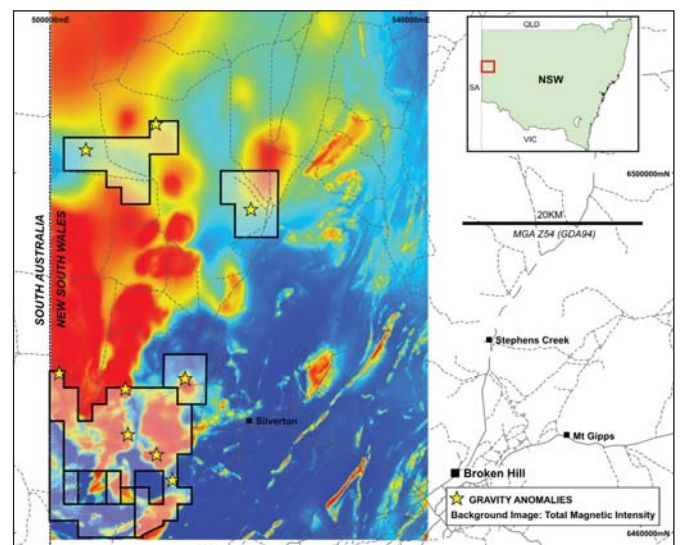


Figure 5: East Frome Project - Background image is total magnetic intensity overlain by location of gravity anomalies

Review Of Operations



Figure 6: Cabeza de Vaca Project, Chile

CHILE COPPER-GOLD PROJECT (Alliance (Chile) Pty Ltd 90%⁴)

During 2012 Alliance's wholly owned subsidiary Alliance (Chile) Pty Ltd (Alliance Chile) secured option agreements to explore and acquire 100% interest in the Ceci, Paola and Japonesa copper-gold properties in the historic Cabeza de Vaca district of Atacama Region III close to the mining centre of Copiapo.

Negotiations to acquire additional mine properties in the district are in an advanced stage.

The Cabeza de Vaca district is located in northern Chile's iron-oxide copper-gold belt and 27 kilometres southeast of La Candelaria mine (resource 479Mt at 0.95% copper, 0.22g/t gold 3.1g/t silver) owned by Freeport-McMoran Copper & Gold Inc.

Alliance Chile has also submitted applications to acquire three exploration licences covering the greater part of the Cabeza de Vaca district.

Surface and underground mine workings, hydrothermal alteration, copper showings and geochemical rock chip sampling, define a 10 km square area on the Cabeza de Vaca properties that contains numerous distinct zones of copper-gold mineralization associated with quartz-tourmaline breccias and sheeted vein systems.

The Company's exploration strategy is two-phase:

- To define and exploit the remaining "near surface" copper-gold mineralisation associated with the breccia pipes. The Cabeza de Vaca breccia pipes district has a history of small scale artisanal mining, the pipes having been high-graded in the oxide and secondary enrichment zones above the water table. The best remaining mineralisation is probably in the hypogene sulphide zone below the water table.
- To explore the potential for porphyry style copper-gold-molybdenum mineralisation at depth below the breccia pipe zone.

The geological model is that of mesothermal mineralised hydrothermal breccia pipes and veins, which expand and coalesce with depth into a large scale mineralised system. Alliance believes that a large porphyry system is the source of, and may lie at relatively shallow depth below, the area of alteration and mineralized breccia pipes.

Following orientation geochemical soil sampling survey and spectrometer traverses undertaken in March 2012, a geochemical soil sampling program over the Ceci-Paola concessions commenced in June 2012 and will be followed by geological mapping of the concessions at a scale of 1:2000. At the end of the quarter approximately 30% of the sample collection had been completed.

The next phase of work includes detailed geological and structural mapping using local geologists where possible and planning of an induced polarisation (IP) survey to generate targets for diamond drilling.

⁴ Under the terms of an agreement between Alliance (Chile) Pty Ltd and Minera Abre Fuego Ltda (MAF), Alliance Chile holds 90% and MAF 10% respectively of the exploration, prospecting or mining rights within defined areas of the project. Alliance Chile has the right to acquire the whole of MAF's interest in the areas at an agreed price following the establishment of an Inferred mineral resource. These areas were selected by MAF after two years reconnaissance and the inspection of over sixty different mineralised areas in central and northern Chile.

STRATEGIC ALLIANCE WITH ITOCHU CORPORATION

On 23 May 2012 Alliance announced that the company had agreed to enter into a strategic alliance with ITOCHU Corporation. ITOCHU Corporation is a Fortune Global 500 company based in Japan with net income exceeding A\$3.7 billion and a market capitalisation of approximately A\$16 billion. ITOCHU Corporation has extensive global interests in the uranium sector and is one of the major uranium traders in the world.

Under the terms of the strategic alliance, ITOCHU, through its wholly owned subsidiary NURA 3 Pty Ltd ("ITOCHU"), will have the right to subscribe for 59,735,223 shares in Alliance or 14.9% of the issued share capital in ACE under a deferred share rights deed ("Deed"). In addition, if ITOCHU exercises its right to take up shares, ITOCHU will have an option ("Option") to subscribe for 25.1% of equity in ACE. The deferred share rights ("DSRs") may be converted under certain circumstances, including completion of the current litigation in relation to the Four Mile Project.

A General Meeting of shareholders was held on 15 August 2012 (post-reporting) at which the issue of DSRs to ITOCHU and their conversion into shares in accordance with the terms of the Deed was approved.

The Deed provides ITOCHU with the right to nominate a director to the Board of Alliance. However, Alliance understands that ITOCHU does not intend to make a nomination until it has converted the DSRs.

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

The provisions of the Deed are confidential but are wholly consistent with ACE's legal obligations with respect to the Four Mile Project.

Key elements of the agreement include the following:

- Within six months of all litigation in relation to the Four Mile Project being finally determined ("Final Determination") ITOCHU may convert its DSRs into 59,735,223 ordinary shares in Alliance or 14.9% of the post conversion share capital of ACE at a price that will be determined by applying a 10% discount to the two month volume weighted average price of Alliance shares at the time of conversion.
- Where the DSRs are converted, ITOCHU may, within a 12 month period from Final Determination, acquire a further 25.1% interest in ACE at a 5% discount to value of ACE shares determined by reference to the two month volume weighted average price of Alliance shares at the time of exercise.
- If ITOCHU has not converted the DSRs following Final Determination Alliance may redeem them.

- If it were considered the appropriate option for the Project at that time, Alliance anticipates that the funds raised on conversion of the DSRs and exercise of the Option will be sufficient to fully fund the construction of a standalone in-situ recovery and uranium processing plant at Four Mile.

INVESTMENTS

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

Competent Persons' Statements

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

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Alliance Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2012.

Directors

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

JSF Dunlop (Chairman)

IJ Gandel (Non-Executive Director)

AD Lethlean (Non-Executive Director)

S Johnston (Managing Director) (appointed on 19 October 2011)

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, New South Wales and Chile.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$3,807,630 (30 June 2011: \$8,644,090).

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

Legal Proceedings

Native Title Mining Agreement - Jurisdiction - Supreme Court of South Australia

Notices of discontinuance were filed on 9 February 2012. As a consequence of the settlement, Quasar Resources Pty Ltd (Quasar) (as to 75%) and Alliance Craton Explorer Pty Ltd (ACE) (as to 25%) were granted a 10 year mineral lease on 26 April 2012.

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

On 26 March 2012 orders were made refusing ACE's application. ACE appealed that part of the decision dismissing ACE's application for disclosure of documents on the basis that they are jointly owned having been prepared by Quasar, as manager, on behalf of both itself and ACE. The appeal will be heard in Adelaide on 19 and 20 November 2012.

Misleading and deceptive conduct - Jurisdiction - Federal Court of Australia (Adelaide). Filed on 12 July 2010.

ACE is currently engaged in examining documents discovered by Heathgate Resources Pty Ltd (Heathgate) and Quasar after which it will determine whether further applications should be made for additional discovery or the administration of interrogatories and will file an amended statement of claim. Further details of this proceeding and those proceedings mentioned above can be obtained from Alliance's web site, www.allianceresources.com.au, under 'Latest Status Update'.

Mineral Lease

On 26 April 2012 Quasar (as to 75%) and ACE (as to 25%) were granted a 10 year mineral lease over the Four Mile Uranium Project area by the South Australian Minister for Mineral Resources and Energy.

Exploration & Development

An application for a replacement of EL3666, which was lodged with the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) in late 2011, is in progress.

Quasar advised in its monthly report for January 2012 that, in anticipation of the offer of a grant of the Mineral Lease, engineering studies had commenced. These studies included evaluation of the Four Mile Project with respect to impacts from the period of delay on knowledge, regulations, equipment condition, technical developments and available infrastructure. These activities continued through to 30 June 2012.

There were no wells drilled during the year. A total of 81 wells have been airlifted since the grant of the mineral lease.

Contributions to Development

Alliance paid \$543,580 towards the cost of development of the Four Mile Uranium Project during the financial year (\$15,395,749 project-to-date)*.

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

ARKAROOOLA PROTECTION AREA

On 22 July 2011, the Premier of South Australia, the Hon Mike Rann MP announced the establishment of the Arkaroola Protection Area (Area) that will, as a first step, be reserved from operation under the South Australian Mining Act by proclamation. In due course it is proposed to enact legislation protecting the Area and an application for World Heritage Listing will follow. As a consequence, future exploration and mining titles will not be granted in the designated Area. The Four Mile (both East and West) deposits, the Four Mile South prospect and the area of the mining lease application (MLA) are outside the Area and are not affected by this announcement. However the Area does cover approximately 38% of the tenement. As a consequence, that area will be excluded from the replacement EL which is expected to issue later this year. While Alliance is pleased that the Four Mile Project is unaffected, it is disappointed that it will be denied the opportunity to more fully explore a significant part of the tenement which is highly prospective for primary uranium, copper, gold, tin and base metals.

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

A full-tensor magnetotelluric (MT) survey was completed during the year, identifying a NE-trending, NE-plunging conductor with approximate dimensions of 1500(l) x 300(w) x 1200(d) metres at the BigNE prospect. A detailed gravity survey was completed during the year at BigNE. The results confirm a residual gravity anomaly centred a few hundred metres northwest of the MT conductor. Further work is required to better define the gravity and MT targets for drill testing. Native Title mining agreements were executed with the Arabana (formerly Arubunna) People's Native Title Claim Group and the Antakirinja Matu-Yankunytjatjara Aboriginal Corporation.

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

Induced polarisation (IP) electrical geophysical surveys over six priority gravity anomalies were completed during 2012. The results of some of these surveys are encouraging and further work is planned.

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

During the year Alliance's wholly owned subsidiary Alliance (Chile) Pty Ltd (Alliance Chile) secured option agreements to explore and acquire 100% interest in the Ceci and Paola copper-gold properties in the historic Cabeza de Vaca district of Atacama Region III close to the mining centre of Copiapo.

Alliance Chile has also submitted applications to acquire three exploration licences covering the greater part of the Cabeza de Vaca district.

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

Strategic Alliance with ITOCHU Corporation

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Key elements of the agreement include the following:

- Within six months of all litigation in relation to the Four Mile Project being finally determined ("Final Determination") ITOCHU may convert its DSRs into 59,735,223 ordinary shares in Alliance or 14.9% of the post conversion share capital of ACE at a price that will be determined by applying a 10% discount to the two month volume weighted average price of Alliance shares at the time of conversion.

Directors' report

- Where the DSRs are converted, ITOCHU may, within a 12 month period from Final Determination, acquire a further 25.1% interest in ACE at a 5% discount to value of ACE shares determined by reference to the two month volume weighted average price of Alliance shares at the time of exercise.
- If ITOCHU has not converted the DSRs following Final Determination Alliance may redeem them.
- If it were considered the appropriate option for the Project at that time, Alliance anticipates that the funds raised on conversion of the DSRs and exercise of the Option will be sufficient to fully fund the construction of a standalone in-situ recovery and uranium processing plant at Four Mile.

Corporate

- Mr Steve Johnston was appointed as Managing Director, effective 19 October 2011;
- Alliance issued 2,000,000 unlisted managing Director options on 30 November 2011 to Mr Steve Johnston:
 - ◆ 1,000,000 options with a \$0.30 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2014; and
 - ◆ 1,000,000 options with a \$0.50 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2015.
- The Company now has 341,172,302 ordinary shares and 2,000,000 options on issue.

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

Matters subsequent to the end of the financial year

Other than those matters described below, since 30 June 2012, 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.

Strategic Alliance with Itochu Corporation

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

A General Meeting of shareholders was held on 15 August 2012 at which the issue of Deferred Share Rights to ITOCHU and their conversion into shares in accordance with the terms of the Deed was approved.

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

On 26 July 2012, Alliance (Chile) Pty Ltd secured an option agreement to explore and acquire 100% interest in the Japonesa copper-gold properties in the historic Cabeza de Vaca district of Atacama Region III close to the mining centre of Copiapo.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

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

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

Due to the current legal proceedings, the Company is not in a position to make forecasts about the Four Mile Uranium Project.

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

Further geophysics is required to better define the gravity and MT targets at the BigNE prospect for drill testing.

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

The results of the induced polarisation geophysical surveys are being integrated with previous information to determine future investigation strategies for these sites.

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

The next phase of work includes detailed geological and structural mapping and planning of an induced polarisation (IP) survey at Cabeza de Vaca to generate targets for diamond drilling.

Strategic Alliance with ITOCHU Corporation

Due to the current legal proceedings in relation to the Four Mile uranium project, the Company is not in a position to make forecasts about the strategic alliance with ITOCHU Corporation.

Environmental regulation

The only foreseeable environmental issues affecting the company relate to its exploration activities.

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, respect for the communities and indigenous cultures 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.

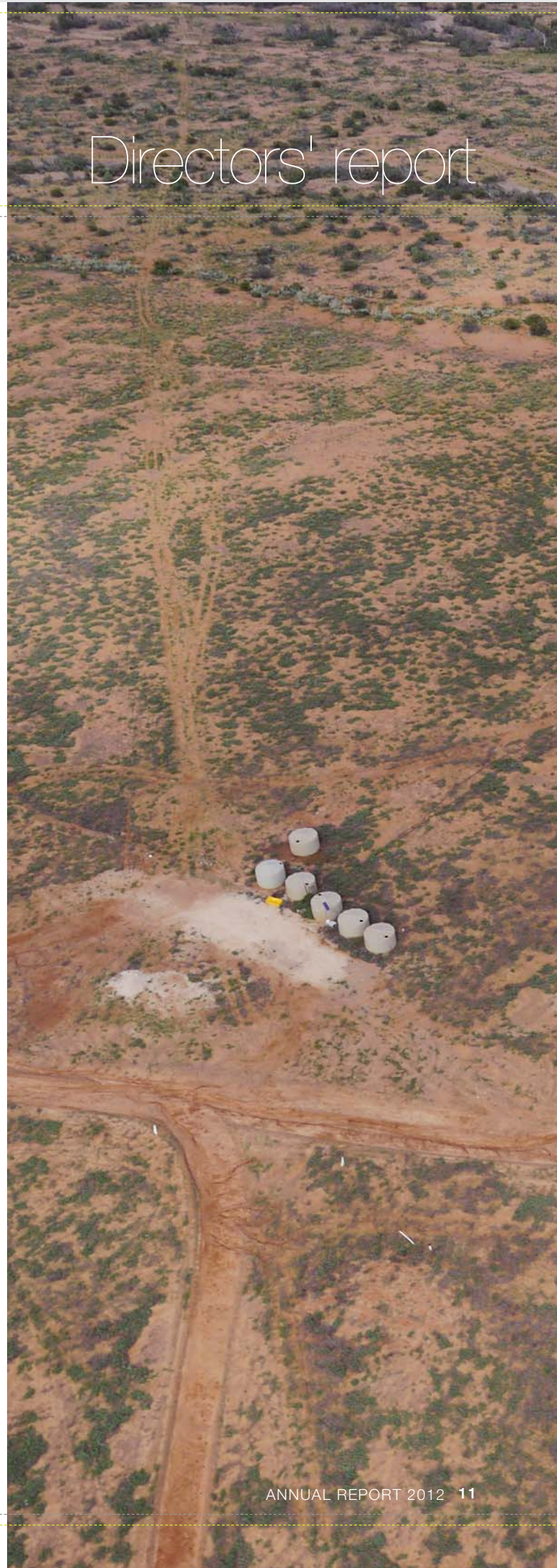
Alliance Resources Limited is committed to the principle that sound environmental management is integral to every aspect and stage of its operations and exploration activities. As a responsible organisation, Alliance is committed to minimising any adverse impact on the environment resulting from our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

The Company supports many initiatives in this area.

The Company is fully committed to the following principles:

- Occupational Health and Safety is the highest priority;
- 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; and
- 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.



Directors' report

INFORMATION ON DIRECTORS

Name:	John Stuart Ferguson Dunlop (Appointed a Director on 30 November 1994 and Chairman on 9 September 1998)
Title:	Independent Non-executive Chairman
Age:	62
Qualifications:	BE(Min), MEng Sc(Min), P Cert Arb., FAusIMM(CP), FIMMM, MAIME, MCIMM
Experience and expertise:	<p>John Dunlop is a consultant mining engineer with more than 40 years surface and underground mining experience both in Australia and overseas spanning more than 25 countries.</p> <p>John is also a former director of the Australasian Institute of Mining & Metallurgy (AusIMM) (2001-2006) but continues as Chairman of its affiliate, the Mineral Industry Consultants Society (MICA).</p>
Other current directorships:	John is also chairman of Alkane Resources Ltd (appointed 4 July 2006) and non-executive director of Copper Strike Limited (appointed 9 November 2009).
Former directorships (in the last 3 years):	Gippsland Ltd (appointed 1 July 2005 as non-executive, but took on executive responsibilities on a temporary basis until resignation on 12 July 2012), 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)
Special responsibilities:	John is a member of the Nominations, Remuneration and Audit & Risk (appointed 5 August 2010) Committees.
Interests in shares:	6,715,983 (2011: 6,715,983)
Interests in options:	Nil (2011: Nil)
Name:	Ian Jeffrey Gandel (Appointed on 15 October 2003)
Title:	Independent Non-executive Director
Age:	55
Qualifications:	LLB, BEc, FCPA, FAICD
Experience and expertise:	<p>Ian J Gandel is a Melbourne businessman with extensive experience in retail and retail property management. 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 Corporate Executive Offices serviced office chain.</p> <p>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 is involved in exploration in his own right in Victoria, New South Wales and Western Australia.</p>
Other current directorships:	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) and Octagonal Resources Ltd (Appointed on 10 November 2010).
Former directorships (in the last 3 years):	N/A
Special responsibilities:	Ian is a member of the Nominations, Remuneration and Audit & Risk Committees (appointed 5 August 2010).
Interests in shares:	87,875,150 (2011: 87,875,150)
Interests in options:	Nil (2011: Nil)

Directors' report

Name: **Anthony (Tony) Dean Lethlean** (Appointed on 15 October 2003)

Title: Independent Non-executive Director

Age: 49

Qualifications: BAppSc(Geology)

Experience and expertise: Anthony (Tony) Lethlean 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.

Anthony is currently a Director of boutique investment banking firm Helmsec Global Capital Limited focusing on the resources sector.

Other current directorships: Tony is also a non-executive director of Alkane Resources Ltd (appointed 30 May 2002).

Former directorships (in the last 3 years): N/A

Special responsibilities: Tony is the chairman of the Nominations, Remuneration and Audit & Risk Committees. (appointed 5 August 2010)

Interests in shares: 1,650,000 (2011 1,650,000)

Interests in options: Nil (2011: Nil)

Name: **Stephen (Steve) Fredrick Johnston** (Appointed 19 October 2011)

Title: Managing Director

Age: 52

Qualifications: B.App.Sc.(App. Geol.), M.Aus.IMM

Experience and expertise: Mr Johnston has more than 30 years' experience within the Australian mining industry across executive, managerial and technical roles in a range of commodities including gold, base metals and uranium. He has been employed by the Alliance since 2003 in varying capacities including General Manager and Chief Executive Officer.

Prior to joining Alliance, Mr Johnston was Managing Director of Exco Resources NL from 1998 to 2001, General Manager and Managing Director of Croesus Mining NL from 1993 to 1998 and from 1981 to 1993 served in a range of exploration and production roles for several companies.

Mr Johnston holds a Bachelor of Applied Science (Applied Geology), is a Corporate Member of the Australasian Institute of Mining and Metallurgy and a Member of the Society of Economic Geologists Incorporated.

Other current directorships: N/A

Former directorships (in the last 3 years): N/A

Special responsibilities: N/A

Interests in shares: 5,516,823 (2011 5,516,823)

Interests in options: 2,000,000 (2011: Nil)

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

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

Directors' report

Company secretary

Ian Pamensky is a Chartered Accountant with over 19 years of experience in accounting, audit, corporate finance, treasury & company secretarial roles. For the last 12 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.

Ian is a member of the Institute of Chartered Accountants and an Affiliate member of Chartered Secretaries Australia.

Meetings of directors

The number of meetings of the company's Board of Directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Board		Nominations and Remuneration Committees**		Audit and Risk Committee***	
	Attended	Held	Attended	Held	Attended	Held
Mr J Dunlop	5	8	1	1	2	3
Mr I Gandel	8	8	1	1	2	3
Mr T Lethlean	8	8	1	1	3	3
Mr S Johnston*	6	6	-	-	-	-

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

* Mr Johnston was appointed as the Managing Director on 19 October 2011 (meetings since appointed)

** The Remuneration and Nominations committees held separate meetings.

*** Effective 1 July 2010 the Board restructured the Audit and Risk 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)

The remuneration report, which has been audited, outlines the director and senior management/executives (Key Management Personnel) remuneration arrangements for the consolidated entity and the company for the financial year ended 30 June 2012, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

- A** Principles used to determine the nature and amount of remuneration
- B** Details of remuneration
- C** Service agreements
- D** Share-based compensation
- E** Additional information

A. Principles used to determine the nature and amount of remuneration

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

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

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

Directors' report

In consultation with external remuneration consultants, the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity and company.

Alignment to shareholders' interests:

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

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

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

Non-executive director remuneration

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

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

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

The long-term incentives ('LTI') includes long service leave and share-based payments. These include an increase in shareholders' value relative to the entire market and an increase when compared to the consolidated entity's direct competitors. The Remuneration Committee intends to revisit the long-term equity-linked performance incentives specifically for executives during the year ending 30 June 2013.

Consolidated entity performance and link to remuneration

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

Voting and comments made at the company's 2011 Annual General Meeting ('AGM')

The company received 91.63% of 'for' votes in relation to its remuneration report for the year ended 30 June 2011. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Directors' report

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the consolidated entity) and specified executives of Alliance Resources Limited are set out in the following tables.

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

- Mr I Pamensky (Manager Finance & Company Secretary)
- Mr A Bowden (Exploration Manager)

Name	Short-term benefits			Post-employment	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Consulting Fees**** \$	Non-monetary	Benefits Super-annuation \$	Long service leave \$	Equity settled \$	
30 June 2012							
Non-Executive Directors:							
Mr J Dunlop	94,000	12,750	-	-	-	-	106,750
Mr I Gandel	62,000	130,000	-	-	-	-	192,000
Mr T Lethlean	62,000	15,000	-	-	-	-	77,000
	218,000	157,750	-	-	-	-	375,750
Executive Directors:							
Mr S Johnston*	367,000	-	-	33,030	-	53,900	453,930
	367,000	-	-	33,030	-	53,900	453,930
Other Key Management Personnel:							
Mr I Pamensky***	-	-	-	-	-	-	-
Mr A Bowden**	220,500	-	-	19,845	-	-	240,345
	220,500	-	-	19,845	-	-	240,345
	805,500	157,750	-	52,875	-	53,900	1,070,025

* Mr Johnston Salary includes his salary as Chief Executive Officer from 1 July - 19 October 2011, his salary as Managing Director from 19 October 2011 - 30 June 2012 and an adjustment to his salary for the period 1 January - 31 October 2011.

** Mr Bowden joined the Company as an employee on 1 June 2011, prior to this Mr Bowden provided consulting services to the Company.

*** 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 \$161,194 (2011: \$161,226) for accounting and company secretarial services provided by Mr Pamensky. All charges were on normal commercial terms. Refer Note 31 – Related Party Information in the Financial Report.

**** This includes consulting fees and informal and formal committee fees. The consulting fees have been approved by the Board of Directors and for Mr J Dunlop consist of fees of \$2,750, for Mr Gandel consists of fees of \$120,000 and for Mr Lethlean the fees are \$nil. The Directors have had to increase their responsibilities since the current litigation regarding the Four Mile Project commenced. Mr Gandel's consulting fees relates to additional work undertaken in relation to the ITOCHU transaction as agreed by the Board.

Directors' report

Name	Short-term benefits			Post-employment	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Consulting Fees**** \$	Non-monetary	Benefits Super-annuation \$	Long service leave \$	Equity settled \$	
30 June 2011							
Non-Executive Directors:							
Mr J Dunlop	93,999	19,813	-	-	-	-	113,812
Mr I Gandel	62,000	68,725	-	-	-	-	130,725
Mr T Lethlean	62,000	15,000	-	-	-	-	77,000
Mr P Mutz	7,645	-	-	688	-	-	8,333
	225,644	103,538	-	688	-	-	329,870
Other Key Management Personnel:							
Mr S Johnston*	250,000	-	-	22,500	-	-	272,500
Mr I Pamensky***	-	-	-	-	-	-	-
Mr A Bowden**	12,500	-	-	3,813	-	-	16,313
	262,500	-	-	26,313	-	-	288,813
	488,144	103,538	-	27,001	-	-	618,683

* Mr Johnston was the Chief Executive officer until his appointment as Managing Director on 19 October 2011.

** Mr Bowden joined the Company as an employee on 1 June 2011, prior to this Mr Bowden provided consulting services to the Company.

*** 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 \$161,226 (2010: \$207,045) for accounting and company secretarial services provided by Mr Pamensky. All charges were on normal commercial terms. Refer Note 31 – Related Party Information in the Financial Report.

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

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

	Fixed remuneration		At risk - STI		At risk - LTI	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Executive Directors:						
Mr S Johnston	89%	- %	- %	- %	11%	- %
Mr P Mutz	- %	100%	- %	- %	- %	- %

Directors' report

C. Service agreements

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

Name: **Mr Steve Johnston**
Title: Managing Director (Effective 19 October 2011)
Agreement commenced: 19 October 2011
Term of agreement: 2 Years
Details:
■ Remuneration - \$328,000 (excluding Superannuation) this excludes - Benefits of Employment (including Options), and reimbursement of various expenses including parking, memberships & subscriptions and mobile phone charges (capped).
■ Termination – The contracts is capable of termination on standard employment terms, which include 3 months' notice if terminated by the Company (without cause) or by Mr Johnston. The Board retains a discretion to make a payment in lieu of notice based on base salary.

Name: **Mr A Bowden**
Title: Exploration Manager
Agreement commenced: 1 June 2011
Details:
■ Remuneration – Employment Cost is \$150,000 gross per annum (excluding superannuation), based on a 24 hour week. Any additional work completed will be charged at \$1,000 per day (Note - effective 1 July 2011, Andrew's salary was changed to a daily rate of \$1,200 per day). The maximum annual salary is \$300,000 per annum (excluding superannuation). This excludes options granted and reimbursements for various expenses including parking, subscriptions and mobile phone costs.
■ Termination – The contracts is capable of termination on standard employment terms, which include 3 months' notice if terminated by the Company (without cause) or by Mr Bowden. The Board retains a discretion to make a payment in lieu of notice based on base salary.

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

D. Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

Options

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

	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
30/11/11*	31/05/12	30/04/14	\$0.30	\$0.0273
30/11/11*	31/05/12	30/04/15	\$0.50	\$0.0266

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

- 1,000,000 options with a \$0.30 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2014; and
- 1,000,000 options with a \$0.50 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2015.

Options granted carry no dividend or voting rights.

Directors' report

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 2012 there were 2,000,000 (2011: nil) unlisted options issued over ordinary shares of Alliance Resources Limited granted to the Managing Director and nil (2011: nil) unlisted options granted to Executives, Staff and contractors.

During October 2011, 2,000,000 unlisted options were issued to the Managing Director, Mr Steve Johnston in accordance with the terms of his contract of employment. The Issue was approved at the Company's AGM on 10 November 2011.

During December 2008, 2,000,000 unlisted options were issued to the then Managing Director, Mr Patrick Mutz in accordance with the terms of his contract of employment. The Issue was approved at

the Company's AGM on 19 November 2008. These were cancelled on 30 September 2010 when Mr Mutz resigned as a non-executive director.

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. These were cancelled on expiry on 31 October 2010.

During October 2007, 3,400,000 unlisted options were issued to Executives, Staff and contractors under the Employee Share Option Plan (ESOP). These were cancelled on expiry on 31 October 2010.

Details of options over ordinary shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012 are set out below:

	Number of options granted during the year		Number of options vested during the year	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Directors				
Mr S Johnston*	2,000,000	-	2,000,000	-

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

- 1,000,000 options with a \$0.30 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2014; and
- 1,000,000 options with a \$0.50 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2015.

Values of options over ordinary shares granted, exercised and lapsed for directors and other key management personnel during the year ended 30 June 2012 are set out below:

	Value of options granted during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
Directors**				
Mr S Johnston***	53,900	-	-	11

** The Terms of the options are as follows:

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

*** The value of the options lapsed during the year is based on the option values at the grant date. Option values were calculated using the Black-Scholes Pricing Model.

Directors' report

E. Additional information

The earnings of the consolidated entity for the five years to 30 June 2012 are summarised below:

	30 June 2008 \$	30 June 2009 \$	30 June 2010 \$	30 June 2011 \$	30 June 2012 \$
Revenue	1,497,197	1,074,973	2,037,807	1,954,560	1,655,460
Net loss before tax	(5,397,012)	(22,895,501)	(4,950,419)	(8,724,356)	(3,807,628)
Net loss after tax	(5,519,020)	(22,895,501)	(4,842,790)	(8,644,090)	(3,807,928)

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

Share price at financial year end (cents)	135.00	68.50	28.50	19.00	20.00
Basic earnings per share (cents per share)	(8.30)	(2.08)	(0.19)	(1.66)	(1.12)

This concludes the remuneration report, which has been audited.

Shares issued on the exercise of options

There were no shares of Alliance Resources Limited issued on the exercise of options during the year ended 30 June 2012.

Indemnity and insurance of officers

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

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

Indemnity and insurance of auditor

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

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

Risk Management

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

Corporate Governance

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors of Alliance support the principle of good corporate governance. The company's corporate governance statement is on page 22.

Proceeding on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

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

Directors' report

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence for the following reasons:

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 34.

Auditor

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

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

On behalf of the directors



John Dunlop

Chairman

27 September 2012, Melbourne

Corporate Governance Statement

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

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

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
		<ul style="list-style-type: none"> ■ implementation of effective occupational health and safety policies; ■ recruitment of replacement personnel; ■ stakeholder communications program (including continuous disclosure of material developments through preparation of ASX announcements, quarterly reports, annual reports and Company presentations, broker/institutional tours, attendance at trade shows, and advertising); and ■ manage internal communication with the Board of Directors, staff, consultants and contractors, and provide leadership and inspiration at all times. <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> <p>Management</p> <p>Mr. Stephen Johnston was appointed Managing Director on 19 October 2011. He has been employed by Alliance since 2003 in varying capacities including as General Manager and Chief Executive Officer. The Managing Director's specific responsibilities are described above.</p> <p>The Exploration Manager is responsible and accountable to the Managing Director. Specific responsibilities of the role include:</p> <ul style="list-style-type: none"> ■ identification of exploration opportunities; ■ tenement management (new projects); ■ establishment of annual exploration budgets; ■ effective exploration work programs; ■ supervision of consultants and other personnel; ■ reporting on activities by preparation of internal and external (statutory) reporting, and ■ maintain effective working relationships with all stakeholders within the communities in which Alliance is working to achieve positive outcomes for Alliance and its stakeholders. <p>The other senior executive of the Company is the Manager Finance (responsible and accountable to the Managing Director) 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. 	

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
1.2	Disclose the process for evaluating the performance of senior executives.	The Board reviews the performance of executives. The senior executives' performance is assessed against short and long term criteria relating to the performance of the executive and the Company as a whole. Further information on performance assessment is contained in the Remuneration Report which forms part of the Directors' Report. A performance evaluation of senior executives has been completed during the reporting period.	Not applicable
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	The information has been disclosed above.	Not applicable

Principle 3: Structure the board to add value

2.1	A majority of the Board should be independent directors.	<p>The Board's size and composition is subject to limits imposed by the Company's constitution, which provides for a minimum of 3 directors and a maximum of 9. The Board currently comprises the Managing Director and 3 non-executive directors.</p> <p>Details of the current Directors of the Company, their skills, experience, qualifications and record of attendance at meetings are included on the website at www.allianceresources.com.au and in the 2012 Annual Report.</p> <p>Director Independence</p> <p>At the date of this Report the company has four Directors, three of whom are non-executive directors.</p> <p>The Company has adopted a Directors Independence Policy which is published on the Company's website at: www.allianceresources.com.au. In determining a Director's independence the following definition is applied "An independent director is independent of management and has no material business or other relationship with Alliance that could materially impede the objectivity of, or the exercise of independent judgment by, the Director or materially influence their ability to act in the best interests of the Company." In reaching their decision regarding individual director independence, the Board reserves the right to consider a Director to be independent even though they may not meet one or more of the specific thresholds or tests specified in the Policy, having regard to the underlying key definition of independence and the nature of the Director's circumstances.</p> <p>The Board has determined that two of the four Directors are independent non-executive directors applying the Company's Independence Policy. Issues considered in making this determination included:</p> <ul style="list-style-type: none"> ■ 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 \$- (2011: \$-) for Mr. Lethlean and \$2,750 (2011: \$9,813) for Mr. Dunlop, is not considered material enough to impact on their independence. ■ Mr Gandel was, and continues to be, a substantial shareholder in the Company and in accordance with the Company's Independence Policy is not considered to be an independent. <p>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
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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 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 Managing Director/ chief executive officer (or equivalent) should not be exercised by the same individual.	<p>The Company's Chairperson, Mr Dunlop, and Managing Director, Mr 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. 	Not applicable
2.4	The board should establish a Nomination Committee.	<p>Alliance has a Nominations Committee comprising 3 non-executive Directors the majority of whom are considered independent directors. Mr Lethlean is an independent Chairman.</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> <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.</p>	Not applicable

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
		<p>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 having regard to any skill, experience, competency or diversity gaps that may be identified from time to time; ■ the composition of the Board; ■ ensuring that effective induction and education procedures exist for new Board appointees and key executives; and ■ ensuring that appropriate procedures exist to assess and review the performance of the Chair, non-executive directors, senior management, Board committees and the Board as a whole. 	
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	<p>Evaluation</p> <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>	Not applicable
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	All information required to be provided has been disclosed above.	Not applicable
Principle 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>	Not applicable

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress of achieving them	<p>On 21 September 2011, the Company adopted a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving diversity (including gender diversity) in its personnel, senior executives and directors, and for the Board to assess annually both the objectives and progress in achieving them.</p> <p>The Diversity Policy provides a framework for Alliance to achieve:</p> <ul style="list-style-type: none"> ■ a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals; ■ a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff; ■ improved employment and career development opportunities for women; ■ a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and ■ awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity. <p>A copy of the Diversity Policy can be accessed from the Company's website at www.allianceresources.com.au.</p>	Not applicable
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the Diversity Policy and progress towards achieving them.	<p>The Board has not yet set measurable objectives for achieving gender diversity. The Directors are in the process of collecting information to enable them to set meaningful, measurable objectives which are appropriate to the size of the Company and the operational and labour market it faces.</p> <p>The Company has not had a requirement to employ any full time staff for the last 1.5 years but will abide by its Diversity Policy for future employment. The Company is also committed to ensuring that all employees have an equal opportunity to participate in professional development programs and to developing its human resources.</p>	While Alliance has reported against other 2010 amendments to the ASX Principles and Recommendations in this Corporate Governance Statement, having regard to the recent adoption of the Diversity Policy and the lack of requirement to employ new staff in the intervening period, the Company is not in a position to report on measurable objectives or progress towards achieving them in this annual report.

Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance								
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	<p>The proportion of women in the Alliance group of companies is set out in the following table:</p> <table border="1"> <thead> <tr> <th></th> <th>Proportion of women</th> </tr> </thead> <tbody> <tr> <td>Whole organisation¹</td> <td>3 out of 10 (30%)</td> </tr> <tr> <td>Board</td> <td>Nil out of 4 (0%)</td> </tr> <tr> <td>Senior executive positions²</td> <td>Nil out of 2 (0%)</td> </tr> </tbody> </table>		Proportion of women	Whole organisation ¹	3 out of 10 (30%)	Board	Nil out of 4 (0%)	Senior executive positions ²	Nil out of 2 (0%)	Not applicable
	Proportion of women										
Whole organisation ¹	3 out of 10 (30%)										
Board	Nil out of 4 (0%)										
Senior executive positions ²	Nil out of 2 (0%)										
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	All information required to be provided has been disclosed above.	Not applicable								

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

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

Principle 4: Safeguard integrity in financial reporting

4.1	The board should establish an Audit Committee.	<p>The Company has an Audit & Risk Committee.</p> <p>Committee members:</p> <p>Members of the Committee at the date of this Report are:</p> <p>Mr Tony Lethlean (Chairman)</p> <p>Mr John Dunlop (appointed 5 August 2010)</p> <p>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.</p> <p>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 three times during the reporting period, before signing off on the annual and half year financial statements. All members of the Audit & Risk Committee attended each meeting.</p>	Not applicable
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Corporate Governance Statement

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
4.2	The audit committee should be structured so that it: <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. 	The Audit and Risk Committee comprises three non-executive Director members, two of whom are independent directors. Mr. Tony Lethlean is the independent Chairman of the Committee. Standing invitations to attend Audit & Risk Committee meetings have been issued to Mr Ian Pamensky (Manager Finance & Company Secretary) and the Company's External Auditors.	Not applicable
4.3	The audit committee should have a formal charter.	The formal charter of the Audit & Risk Committee was adopted on 29 November 2007. The Audit & Risk Committee charter can be accessed at www.allianceresources.com.au	Not applicable
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	The external auditor, BDO*, has a rotation policy such that lead partners are rotated every 5 years and review partners are rotated every 5 years. Information on the policy and procedures for the selection, appointment and independence of the external auditor, and for the rotation of external audit engagement partners can be accessed in the External Auditor Selection and Rotation Policy and can be accessed on the Company's website at www.allianceresources.com.au All information required to be provided has been disclosed above.	Not applicable
* From 1 August 2012, PKF Chartered Accountants and Busines Advisors East Coast Practice became part of the BDO network and have adopted the BDO brand.			
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company fully supports the continuous disclosure regime in Australia. In accordance with the continuous disclosure requirements of the ASX Listing Rules, the Company has policies and procedures in place to ensure that price sensitive information is identified, reviewed by management and a Disclosure Committee and disclosed to the ASX in a timely manner and that all information provided to the ASX is posted on the Company's website as soon as possible after its disclosure to the ASX. The Company Secretary manages the Company's compliance with its continuous disclosure obligations and is responsible for communications with the ASX. Presentations that are made to analysts or investors are posted on the Company's website. If the presentations contain information that has not previously been announced to the ASX, and that would or could have a material effect on the share price, the presentation is sent to the ASX prior to the presentation being made. All managers in the Company receive advice on continuous disclosure and are aware of and accountable for the Company's compliance with regard to continuous disclosure. The Company's Market Disclosure and Communication Policy is in line with current best practice standards, and can be accessed at www.allianceresources.com.au . The Board will evaluate this policy on an annual basis to determine whether it remains effective in ensuring accurate and timely disclosure in accordance with the Company's disclosure obligations.	Not applicable
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	All information required to be provided has been disclosed above.	Not applicable

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 2011 annual general meeting. 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.	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 7: Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Alliance has systems in place to enable the identification, assessment and management of its material business risks. Management is responsible for the design and implementation of risk management and internal control systems in relation to material business risks. Management ensure that procedures exist to monitor and review risks and, through observation and audit, gain assurance on at least an annual basis that effective controls are implemented and consistently being applied. The Board reviews the Company's risk profile and risk management and internal control policies and practices on a regular basis and receives reports from management on significant changes to the profile and the progress with risk mitigation at each of its Board meetings. The Audit & Risk Committee assists the Board in monitoring the Company's financial and operating risks. The company's Risk Oversight & Management Policy can be accessed at www.allianceresources.com.au	Not applicable
7.2	The board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	<p>Alliance has adopted systematic processes for the identification, analysis, evaluation, treatment, monitoring and review of the material business risks it faces which are outlined in the Company's Risk Management Policy, which is aligned to the Australian Standard for risk management. The Company is exposed to numerous risks across its business, most of which are common to the mining industry. Generally risk-specific systems are used, in keeping with best practices in the Mining and Resources sector. These approaches to risk management are generally embedded into strategic and operational management and business processes.</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 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 reassess 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 BDO. Reviews of internal control are conducted in accordance with an audit plan approved by the Audit & Risk Committee. The audit plan is formulated following identification of key risks in the areas of financial and information technology controls, compliance with statutory regulations and policy, fraud prevention and detection plus specific services as directed by the Company to ensure an effective control environment. Management is responsible for implementing corrective actions recommended as a result of the audit reviews. Key findings from audit reviews are reported to the Audit & Risk Committee. The External Auditors and the Audit & Risk Committee have direct access to each other and have the necessary access to management and the right to seek information and explanations.</p>	Not applicable

Review Of Operations

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
7.3	The board should disclose whether it has received assurance from the Managing Director/ chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board received an assurance from the Managing Director and 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. The Board has indicated that it is satisfied that management has developed and implemented a sound system of risk management and internal control.	Not applicable
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	All information required to be provided has been disclosed above.	Not applicable

Principle 8: Remunerate fairly and responsibly

8.1	The board should establish a Remuneration Committee.	<p>The Company has a Remuneration Committee and its charter sets out the role, responsibilities, structure and procedure of this committee. Details of the Remuneration Committee and its charter are published on the Company's website at www.allianceresources.com.au.</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. 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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Review Of Operations

Principle No.	Best Practice Recommendation	Compliance	Reason for Non-Compliance
8.2	<p>The Remuneration Committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent director; and • has at least three members. 	<p>Alliance has complied with this Recommendation and has a Remuneration Committee comprising 3 non-executive Directors the majority of whom are considered independent directors. Mr Lethlean is an independent Chairman.</p> <p>Committee members</p> <p>Members of the 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
8.3	<p>Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.</p>	<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 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
8.4	<p>Companies should provide the information indicated in the guide to reporting on Principle 8.</p>	<p>All information required to be provided has been disclosed above.</p>	Not applicable

Auditors' independence declaration



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DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF ALLIANCE RESOURCES LIMITED

As lead auditor of Alliance Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

David Garvey

Partner

BDO East Coast Partnership

Melbourne, 27 September 2012

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Financial report



Statement of comprehensive income

For the year ended 30 June 2012

	Notes	Consolidated 2012 \$	Consolidated 2011 \$
Revenue from continuing operations	4	1,655,460	1,954,560
Other income	6	-	95,188
Expenses			
Share of loss of associates and joint ventures accounted for using the equity method	5	(951,431)	(587,241)
Depreciation and amortisation expense	7	(20,983)	(23,643)
Impairment of investments in associate		-	(2,209,586)
Impairment in value of available for sale investments	15	(9,543)	(21,948)
Expense of share options granted	23	(53,900)	-
Occupancy expenses		(64,847)	(63,837)
Administration expenses		(2,144,982)	(1,776,149)
Legal expenses		(1,647,275)	(2,531,513)
Director fees'		(375,750)	(329,870)
Company secretarial		(113,016)	(187,118)
Marketing expenses		(81,363)	(52,646)
Loss before income tax benefit from continuing operations		(3,807,630)	(5,733,803)
Income tax benefit	8	-	80,266
Loss after income tax benefit from continuing operations		(3,807,630)	(5,653,537)
Loss after income tax benefit from discontinued operations	9	-	(2,990,553)
Loss after income tax benefit for the year attributable to the owners of Alliance Resources Limited		(3,807,630)	(8,644,090)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Alliance Resources Limited		(3,807,630)	(8,644,090)
		Cents	Cents
Earnings per share from continuing operations attributable to the owners of Alliance Resources Limited			
Basic earnings per share	38	(1.12)	(1.66)
Diluted earnings per share	38	(1.12)	(1.66)
Earnings per share from discontinued operations attributable to the owners of Alliance Resources Limited			
Basic earnings per share	38	-	(0.88)
Diluted earnings per share	38	-	(0.88)
Earnings per share for loss attributable to the owners of Alliance Resources Limited			
Basic earnings per share	38	(1.12)	(2.53)
Diluted earnings per share	38	(1.12)	(2.53)

Statement of financial position

As at 30 June 2012

	Notes	Consolidated 2012 \$	Consolidated 2011 \$
Assets			
Current assets			
Cash and cash equivalents	10	31,091,394	34,913,550
Trade and other receivables	11	106,074	466,019
Other	12	48,475	91,980
Total current assets		31,245,943	35,471,549
Non-current assets			
Receivables	13	50,000	50,000
Investments accounted for using the equity method	14	14,434,547	14,778,041
Available-for-sale financial assets	15	6,680	16,223
Property, plant and equipment	16	26,521	35,912
Exploration and evaluation	17	3,073,883	2,099,179
Total non-current assets		17,591,631	16,979,355
Total assets		48,837,574	52,450,904
Liabilities			
Current liabilities			
Trade and other payables	18	517,594	413,274
Employee benefits	19	69,496	46,388
Provisions	20	60,000	60,000
Total current liabilities		647,090	519,662
Non-current liabilities			
Employee benefits	21	49,305	36,333
Total non-current liabilities		49,305	36,333
Total liabilities		696,395	555,995
Net assets		48,141,179	51,894,909
Equity			
Issued capital	22	98,918,022	98,918,022
Reserves	23	53,900	-
Accumulated losses	24	(50,830,743)	(47,023,113)
Total equity		48,141,179	51,894,909

Statement of changes in equity

For the year ended 30 June 2012

	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total equity \$
Consolidated				
Balance at 1 July 2010	98,918,022	3,852,436	(42,231,459)	60,538,999
Loss after income tax benefit for the year	-	-	(8,644,090)	(8,644,090)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(8,644,090)	(8,644,090)
<i>Transactions with owners in their capacity as owners:</i>				
Transfer of share based payment reserve to accumulated losses	-	(3,852,436)	3,852,436	-
Balance at 30 June 2011	98,918,022	-	(47,023,113)	51,894,909
Consolidated				
Balance at 1 July 2011	98,918,022	-	(47,023,113)	51,894,909
Loss after income tax benefit for the year	-	-	(3,807,630)	(3,807,630)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,807,630)	(3,807,630)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	53,900	-	53,900
Balance at 30 June 2012	98,918,022	53,900	(50,830,743)	48,141,179

Statement of cash flows

For the year ended 30 June 2012

	Notes	Consolidated 2012 \$	Consolidated 2011 \$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(4,188,588)	(5,594,069)
Interest received		1,896,312	1,833,284
Net cash used in operating activities	37	(2,292,276)	(3,760,785)
Cash flows from investing activities			
Payments for property, plant and equipment	16	(11,595)	(7,919)
Transfer to term & rental deposits		-	(10,000)
Payments for exploration and evaluation	17	(974,704)	(90,619)
Contributions to Joint Venture Development		(543,581)	(659,120)
Performance bonds received on disposal of Maldon Resources Pty Ltd		-	737,496
Proceeds from sale of shares in Drummond Gold Limited		-	275,431
Net cash from/(used in) investing activities		(1,529,880)	245,269
Cash flows from financing activities			
Net cash from financing activities		-	-
Net decrease in cash and cash equivalents		(3,822,156)	(3,515,516)
Cash and cash equivalents at the beginning of the financial year		34,913,550	38,429,066
Cash and cash equivalents at the end of the financial year	10	31,091,394	34,913,550

Notes to the financial statements

30 June 2012

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alliance Resources Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Alliance Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

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

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

Operating segments

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

Notes to the financial statements

30 June 2012

Revenue recognition

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

Sale of goods

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

Interest

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

Other revenue

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

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Tax Consolidation

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

Notes to the financial statements

30 June 2012

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade and other receivables are generally due for settlement within 30 days.

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.

Non-current assets and assets of disposal groups are classified as held for sale

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

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

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

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

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. 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.

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Notes to the financial statements

30 June 2012

Loans and receivables

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

Available-for-sale financial assets

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

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.

Impairment of financial assets

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

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been had the impairment not been recognised and is reversed to profit or loss.

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

Property, plant and equipment

All classes of property, plant and equipment are stated at cost less accumulated depreciation and any impairment write-downs.

Depreciation is calculated on a reducing balance basis to write off the net cost of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives are made on a regular basis for all assets.

Major depreciation rates are:

Plant and equipment	13% - 40%
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Where items of plant and equipment have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Exploration and evaluation assets

Exploration and evaluation expenditure 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 date.

Notes to the financial statements

30 June 2012

Development expenditure

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

Impairment of non-financial assets

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

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

Reversal of impairments

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognised.

Trade and other 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.

Provisions

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

Provision for restoration and rehabilitation

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

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

Employee benefits

Wages and salaries, annual leave and sick leave

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.

Long service leave

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.

Notes to the financial statements

30 June 2012

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

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

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

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

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

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

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

Issued capital/ Contributed equity

Ordinary shares are classified as equity.

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

Business combinations

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

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

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

Notes to the financial statements

30 June 2012

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

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

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

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

New, revised or amending Accounting Standards and Interpretations adopted

The following new accounting standards applicable to the Group have been adopted:

- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project being principally terminology and editorial changes; and
- AASB 2010-5 Amendments to Australian Accounting Standards being principally editorial changes.

The adoption of the above did not have a material impact on the Group and are unlikely to have a material impact on future periods.

Notes to the financial statements

30 June 2012

New Accounting Standards and Interpretations not yet mandatory or early adopted

The following standards, amendments to standards and interpretations most applicable to the Group that are not yet mandatory and have not been applied in these financial statements:

- AASB 9 Financial Instruments includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement, which becomes mandatory for the Group's 30 June 2016 financial statements.
- AASB 10 Consolidated Financial Statements introduces a new definition of control in regards to consolidation, which becomes mandatory for the Group's 30 June 2014 financial statements.
- AASB 11 Joint Arrangements addresses joint operations and joint ventures, which becomes mandatory for the Group's 30 June 2014 financial statements.
- AASB 12 Disclosure of Interests in Other Entities addresses the disclosure requirements for all forms of interests in other entities, which becomes mandatory for the Group's 30 June 2014 financial statements.
- AASB 13 Fair Value Measurement consolidates the measurement and disclosure requirements in respect of fair values into one standard, which becomes mandatory for the Group's 30 June 2014 financial statements.
- Interpretation 20 Stripping Costs provides guidance on stripping costs during the production phase of a surface mine, which becomes mandatory for the Group's 30 June 2014 financial statements.

The Group has not yet determined the eventual effect of the above standards, amendments to standards and interpretations, however at this stage it is not thought to be material.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Share-based payment transactions

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

Fair value and hierarchy of financial instruments

The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: 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); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

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

Notes to the financial statements

30 June 2012

Estimation of useful lives of assets

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

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

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

Income tax

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

Long service leave provision

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Environmental provision

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

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

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

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

Notes to the financial statements

30 June 2012

	Notes	Consolidated 2012 \$	Consolidated 2011 \$
NOTE 4. REVENUE			
From continuing operations			
Other revenue			
Interest		1,655,460	1,954,560
Revenue from continuing operations		1,655,460	1,954,560

NOTE 5. SHARE OF LOSS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

Share of loss - associates		(387,385)	(210,414)
Share of loss - joint ventures		(564,046)	(376,827)
Share of loss of associates and joint ventures accounted for using the equity method		(951,431)	(587,241)

NOTE 6. OTHER INCOME

Net gain on disposal of investments		-	95,188
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The net gain on disposal of investments represents the profit on sale of shares in Drummond Gold Limited (ASX: DGO). Alliance were paid in Drummond shares by Drummond at the time they were negotiating the purchase of Maldon Resources Pty Ltd.

NOTE 7. EXPENSES

Loss before income tax from continuing operations includes the following specific expenses:

Depreciation			
Plant and equipment	16	20,983	23,643
Superannuation expense			
Defined contribution superannuation expense		52,875	23,625
Share-based payments expense			
Share-based payments expense		53,900	-
Employee benefits expense excluding superannuation			
Employee benefits expense excluding superannuation		587,500	372,260

Notes to the financial statements

30 June 2012

	Consolidated 2012 \$	Consolidated 2011 \$
NOTE 8. INCOME TAX BENEFIT		
Income tax benefit		
Income tax benefit is attributable to:		
Loss from continuing operations	-	(80,266)
Aggregate income tax benefit	-	(80,266)
Numerical reconciliation of income tax benefit and tax at the statutory rate		
Loss before income tax benefit from continuing operations	(3,807,630)	(5,733,803)
Profit/(loss) before income tax (expense)/benefit from discontinued operations	-	(2,990,553)
	(3,807,630)	(8,724,356)
Tax at the statutory tax rate of 30%	(1,142,289)	(2,617,307)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments	16,170	-
Share of net loss of Joint Venture and Associate accounted for using the equity method	285,429	176,172
Impairment of investment in associate	-	662,876
Impairment of available for sale assets	2,863	6,585
Accounting loss on disposal of shares in subsidiary	-	751,465
Research and development claim	-	(80,266)
	(837,827)	(1,100,475)
Deferred tax assets not brought to account	837,827	1,020,209
Income tax benefit	-	(80,266)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	50,804,080	47,192,449
Potential tax benefit @ 30%	15,241,224	14,157,735
The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.		
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Other temporary differences	2,842,548	2,596,885
Total deferred tax assets not recognised	2,842,548	2,596,885
The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.		

NOTE 9. DISCONTINUED OPERATIONS

Description

On 22 December 2010, the sale of Maldon Resources Pty Ltd to Octagonal Resources Limited ("Octagonal") was completed. Maldon Resources Pty Ltd owned the Maldon Gold Project.

Alliance received \$5,500,000 in Octagonal shares (22,000,000 shares at the IPO price of \$0.25 per share). Octagonal (ASX Code: ORS) was listed on the ASX on 5 January 2011. Alliance owns approximately 22% of the issued capital of Octagonal resulting it being an Investment in Associate which is accounted for using the Equity Method.

Notes to the financial statements

30 June 2012

Financial information relating to Maldon Resources Pty Ltd for the period 1 July 2010 to 22 December 2010 is set out below.

	Notes	Consolidated 2012 \$	Consolidated 2011 \$
Financial performance information			
Discontinued Operations - Other income		-	20,602
Total revenue		-	20,602
Discontinued Operations - Cost of Sales		-	(5,111)
Discontinued Operations - Expenses		-	(501,160)
Total expenses		-	(506,271)
Loss before income tax expense		-	(485,669)
Income tax expense		-	-
Loss after income tax expense		-	(485,669)
Loss on sale before income tax		-	(2,504,884)
Income tax expense		-	-
Loss on disposal after income tax expense		-	(2,504,884)
Loss after income tax benefit from discontinued operations		-	(2,990,553)
Cash flow information			
Net cash used in operating activities		-	(717,577)
Net cash used in investing activities		-	(39,861)
Net cash used in financing activities		-	(10,000)
Net decrease in cash and cash equivalents from discontinued operations		-	(767,438)
Carrying amounts of assets and liabilities			
Trade and other receivables		-	26,660
Inventories		-	84,350
Other current assets		-	153,623
Property, plant and equipment		-	1,017,223
Exploration and evaluation		-	7,665,550
Total assets		-	8,947,406
Trade and other payables		-	161,035
Provisions		-	31,487
Provisions - non-current		-	750,000
Total liabilities		-	942,522
Net assets		-	8,004,884
Details of the disposal			
Total sale consideration		-	5,500,000
Carrying amount of net assets sold		-	(8,004,884)
Loss on disposal before income tax		-	(2,504,884)
Income tax expense		-	-
Loss on disposal after income tax		-	(2,504,884)

Notes to the financial statements

30 June 2012

	Consolidated 2012 \$	Consolidated 2011 \$
NOTE 10. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash on hand	4	4
Cash at bank	31,006,390	6,828,546
Cash on deposit	85,000	28,085,000
	31,091,394	34,913,550

NOTE 11. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Other receivables	-	80,266
Accrued revenue*	980	242,354
GST receivable	105,094	143,399
	106,074	466,019

* Interest receivable at year end.

NOTE 12. CURRENT ASSETS - OTHER

Prepayments	48,475	91,980
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NOTE 13. NON-CURRENT ASSETS - RECEIVABLES

Term Deposits*	50,000	50,000
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* Held as performance bonds.

NOTE 14. NON-CURRENT ASSETS - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investment in associate - Octagonal Resources Limited

Investment in Octagonal Resources Limited at cost*	5,500,000	5,500,000
Share of net loss in investment in associate accounted for using the equity method**	(597,799)	(210,414)
	4,902,201	5,289,586
Impairment of investment in associate	(2,209,586)	(2,209,586)
Net carrying value***	2,692,615	3,080,000

*Interest in joint venture - Four Mile Joint Venture*****

Four Mile Joint Venture cash calls made	15,460,105	14,852,169
Share of net loss of joint venture accounted for using the equity method	(3,718,173)	(3,154,128)
Net carrying value	11,741,932	11,698,041
	14,434,547	14,778,041

Refer to note 34 for further information on investments in associates.

Refer to note 35 for further information on interests in joint ventures.

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

** For the Financial Year (2011: For the period 22 December 2010 to 30 June 2011)

*** Octagonal Resources Limited's (ASX Code: ORS) recoverable value at 30 June 2012. At 30 June 2012 Octagonal share price on the ASX was 14 cents per ordinary share (2011: 14 cents) and used to determine recoverable value.

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

The difference between the carrying amount of the FMJV and the net assets of the FM Project (Refer Note 35) is due to the differences in accounting for cash calls between the FM Project and Alliance Resources.

Further information on the Investment in Associate is disclosed at Note 34 and the Investment in the Joint Venture at Note 35.

Notes to the financial statements

30 June 2012

	Consolidated 2012 \$	Consolidated 2011 \$
NOTE 15. NON-CURRENT ASSETS - AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Ordinary shares*	1,033,786	1,033,786
Revaluation of investments to fair value	(1,027,106)	(1,017,563)
	6,680	16,223

Reconciliation

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

Opening fair value	16,223	38,171
Impairment of assets	(9,543)	(21,948)
Closing fair value	6,680	16,223

Refer to note 26 for further information on financial instruments.

* The Ordinary shares are listed equity securities in Intec Limited (ASX Code: INL). The shares were 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. The Shares are classified as available for sale financial assets.

NOTE 16. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

Plant and equipment - at cost	115,495	106,765
Less: Accumulated depreciation	(88,974)	(70,853)
	26,521	35,912

Reconciliations

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

Consolidated	Plant & Equipment \$	Total \$
Balance at 1 July 2010	51,636	51,636
Additions	7,919	7,919
Depreciation expense	(23,643)	(23,643)
Balance at 30 June 2011	35,912	35,912
Additions	11,595	11,595
Write off of assets	(3)	(3)
Depreciation expense	(20,983)	(20,983)
Balance at 30 June 2012	26,521	26,521

Notes to the financial statements

30 June 2012

	Consolidated 2012 \$	Consolidated 2011 \$
NOTE 17. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION		
Exploration/ evaluation costs carried forward - Warrina, SA	1,483,094	1,233,590
Exploration/ evaluation costs carried forward - East Frome, NSW	584,255	340,730
Exploration/ evaluation costs carried forward - Four Mile Project, SA	531,337	524,859
Exploration/ evaluation costs carried forward - Chile	475,197	-
	3,073,883	2,099,179

Reconciliations

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

Consolidated	Exploration \$	Total \$
Balance at 1 July 2010	2,008,560	2,008,560
Expenditure during the year	90,619	90,619
Balance at 30 June 2011	2,099,179	2,099,179
Expenditure during the year	974,704	974,704
Balance at 30 June 2012	3,073,883	3,073,883

Notes:

- (1) The consolidated entity has a 25% interest in the Four Mile Uranium-Copper-Gold exploration project (FM Project) in South Australia. The FM Project partner is Quasar Resources Pty Ltd, an affiliate of Heathgate Resources Pty Ltd. The consolidated entity had a free carried interest until a decision to mine was called by Quasar in September 2008 and came into effect on 22 October 2008. The Company received its first cash call in respect of the cost of development of uranium mining at Four Mile East in December 2008 - Refer Note 14 (Investments accounted for using the Equity Method). The consolidated entity has also incurred exploration costs in relation to the FM Project totalling \$531,337 (2011: \$524,859) and these costs are included above as at 30 June 2012.
- (2) The recoverability of the carry forward amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

	Consolidated 2012 \$	Consolidated 2011 \$
NOTE 18. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	241,931	370,973
Accrued expenses	256,518	31,000
PAYG payable	19,145	11,301
	517,594	413,274

Refer to note 26 for further information on financial instruments.

NOTE 19. CURRENT LIABILITIES - EMPLOYEE BENEFITS

Annual leave entitlement	69,496	46,388
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Notes to the financial statements

30 June 2012

	Consolidated 2012 \$	Consolidated 2011 \$
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NOTE 20. CURRENT LIABILITIES - PROVISIONS

For Environmental/ Rehabilitation	60,000	60,000
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Environmental

The provision represents the present value of estimated costs of the remediation work that will be required to comply with environmental and legal obligations.

NOTE 21. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

Long service leave entitlement	49,305	36,333
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	Shares 2012	Consolidated Shares 2011	2012 \$	Consolidated 2011 \$
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NOTE 22. EQUITY - ISSUED CAPITAL

Ordinary shares - fully paid	341,172,309	341,172,309	98,918,022	98,918,022
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Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

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

Capital risk management

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

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

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

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

The capital risk management policy remains unchanged from the 30 June 2011 Annual Report.

Notes to the financial statements

30 June 2012

	Consolidated 2012 \$	Consolidated 2011 \$
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NOTE 23. EQUITY - RESERVES

Share-based payments reserve	53,900	-
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Consolidated	Share option reserve* \$	Total \$
Balance at 1 July 2010	3,852,436	3,852,436
Transfer to accumulated losses**	(3,852,436)	(3,852,436)
Balance at 30 June 2011	-	-
Cost of share options issued	53,900	53,900
Balance at 30 June 2012	53,900	53,900

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

** Transfer of Share-based Payment reserve to accumulated losses on expiry/cancellation of unlisted options.

Share-based payments reserve

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

	Consolidated 2012 \$	Consolidated 2011 \$
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NOTE 24. EQUITY - ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(47,023,113)	(42,231,459)
Loss after income tax for the year	(3,807,630)	(8,644,090)
Transfer from options reserve	-	3,852,436
Accumulated losses at the end of the financial year	(50,830,743)	(47,023,113)

NOTE 25. EQUITY - DIVIDENDS

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

Notes to the financial statements

30 June 2012

NOTE 26. FINANCIAL INSTRUMENTS

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

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

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

The Company operates in Australia and Chile and at present has minimal foreign exchange exposure. The Company will potentially have greater exposure in the future as most commodities the Company explores for are traded in US Dollars.

Commodity Price risk

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

Interest rate risk

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

At 30 June 2012 Alliance had the following cash instruments exposed to interest rate risk - Cash and cash equivalents totalling \$31,091,394 (2011: \$34,913,550) and receivables \$50,000 (2011: \$50,000).

The sensitivity of the fair value of financial instruments held at balance date, following a movement in interest rates, with all other variables held constant. A 1% interest rate change sensitivity is based on reasonably possible changes over a financial year. The post-tax gain or loss and equity assuming a 1% interest rate change is \$311,414 (2011: \$349,635)

Consolidated	Weighted average interest rate %	30 June 2012		30 June 2011	
		Balance \$	Weighted average interest rate %	Balance \$	Weighted average interest rate %
Cash and cash equivalents	4.42	31,091,394	5.52	34,913,550	
Term Deposits - non-current	4.65	50,000	5.00	50,000	
Net exposure to cash flow interest rate risk		31,141,394		34,963,550	

Price risk

The Group is exposed to equity securities price risk. This arises from an investment in associate and available for sale investments. The listed investments are traded on the ASX.

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

Given the current volatility in both Australian and international stock markets a sensitivity of 25% has been selected and is considered reasonable.

Notes to the financial statements

30 June 2012

	Impact of basis points increase			Impact of basis points decrease		
	Basis points change -%	Effect on profit after tax	Effect on equity	Basis points change -%	Effect on profit after tax	Effect on equity
Consolidated 2012						
Investment in Associate	25	770,000	770,000	(25)	(770,000)	(770,000)
Available for sale financial assets	25	-	1,670	(25)	(1,670)	(1,670)
		770,000	771,670		768,330	768,330
Consolidated 2011						
Investment in Associate	25	770,000	770,000	(25)	(770,000)	(770,000)
Available for sale financial assets	25	-	4,055	(25)	(4,055)	(4,055)
		770,000	774,055		(774,055)	(774,055)

Credit risk

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

Liquidity risk

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

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

Financing arrangements

No financing facilities are currently in place.

Hedging

No hedging is currently in place.

Capital management

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

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

The Company currently has no debt.

Remaining contractual maturities profile

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

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

Notes to the financial statements

30 June 2012

	Weighted average interest rate %	1 year or less \$	Between 1 & 2 years \$	Between 2 & 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated 2012						
Non-derivatives						
Non-interest bearing						
Trade payables	-	241,931	-	-	-	241,931
Accrued expenses	-	256,518	-	-	-	256,518
PAYG Payable	-	19,145	-	-	-	19,145
Total non-derivatives	-	517,594	-	-	-	517,594
Consolidated 2011						
Non-derivatives						
Non-interest bearing						
Trade payables	-	370,973	-	-	-	370,973
Accrued expenses	-	31,000	-	-	-	31,000
PAYG payables	-	11,301	-	-	-	11,301
Total non-derivatives	-	413,274	-	-	-	413,274

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

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 2012 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, excluding transaction costs.

There were no transfers between levels during the financial year.

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

Notes to the financial statements

30 June 2012

NOTE 27. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

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

Chairman - Non-executive

Mr J Dunlop

Executive Directors

Mr S Johnston (Appointed Managing Director on 19 October 2011)

Non-executive Directors

Mr I Gandel

Mr T Lethlean

Other key management personnel

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

Name	Position
Mr S Johnston*	Managing Director
Mr I Pamensky	Manager Finance & Company Secretary
Mr A Bowden**	Exploration Manager

* Mr Johnston held the position of Chief Executive Officer until his appointment as Managing Director on 19 October 2011.

** Mr Bowden joined Alliance as an employee on 1 June 2011. Prior to this Mr Bowden provided consulting services to Alliance.

Compensation

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

	Consolidated 2012 \$	Consolidated 2011 \$
Short-term employee benefits	963,250	591,682
Post-employment benefits	52,875	27,001
Share-based payments	53,900	-
	1,070,025	618,683

Notes to the financial statements

30 June 2012

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals /other	Balance at the end of the year
2012					
Ordinary shares					
<i>Directors</i>					
Mr J Dunlop	6,715,938	-	-	-	6,715,938
Mr I Gandel	87,875,150	-	-	-	87,875,150
Mr T Lethlean	1,650,000	-	-	-	1,650,000
Mr S Johnston	5,516,823	-	-	-	5,516,823
<i>Executive</i>					
Mr I Pamensky	1,700,000	-	-	-	1,700,000
	103,457,911	-	-	-	103,457,911

* Mr A Bowden, an Executive currently holds no shares or options in the Company.

2011

Ordinary shares

Directors

Mr J Dunlop	6,715,938	-	-	-	6,715,938
Mr I Gandel	87,875,150	-	-	-	87,875,150
Mr T Lethlean	1,650,000	-	-	-	1,650,000
Mr P Mutz*	96,218	-	-	(96,218)	-
<i>Executives</i>					
Mr S Johnston	5,516,823	-	-	-	5,516,823
Mr I Pamensky	1,700,000	-	-	-	1,700,000
	103,554,129	-	-	(96,218)	103,457,911

* Mr Mutz resigned on 31 August 2010. The Disposal represents his closing balance at 31 August 2010.

* Mr A Bowden, an Executive currently holds no shares or options in the Company.

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
Options over ordinary shares					
<i>Directors</i>					
Mr S Johnston*	-	2,000,000	-	-	2,000,000
	-	2,000,000	-	-	2,000,000

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

- 1,000,000 options with a \$0.30 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2014; and
- 1,000,000 options with a \$0.50 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2015.

Notes to the financial statements

30 June 2012

	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
2012			
Options over ordinary shares			
Unlisted Options - exercisable at 30 cents	1,000,000	-	1,000,000
Unlisted Options - exercisable at 50 cents	1,000,000	-	1,000,000
	2,000,000	-	2,000,000

* 1,000,000 options with a \$0.30 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2014.

** 1,000,000 options with a \$0.50 exercise price vesting on the date being 6 months after the date of issue (subject to the continued employment of Mr Johnston at that date) and expiring 30 April 2015.

	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
2011					
Options over ordinary shares					
<i>Directors</i>					
Mr J Dunlop*	1,000,000	-	-	(1,000,000)	-
Mr I Gandel*	1,000,000	-	-	(1,000,000)	-
Mr T Lethlean*	1,000,000	-	-	(1,000,000)	-
Mr P Mutz**	2,000,000	-	-	(2,000,000)	-
<i>Executives</i>					
Mr S Johnston*	1,000,000	-	-	(1,000,000)	-
Mr I Pamensky*	1,000,000	-	-	(1,000,000)	-
	7,000,000	-	-	(7,000,000)	-

* Unlisted options expired 31 October 2010 and were cancelled.

** Mr Mutz resigned on 31 August 2010 and the unlisted options were cancelled on 30 September 2010.

Related party transactions

Related party transactions are set out in note 31.

NOTE 28. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the company.

	Consolidated 2012 \$	Consolidated 2011 \$
Audit services - BDO East Coast Partnership		
Audit or review of the financial statements	61,000	58,000
Other services - BDO East Coast Partnership		
Other services - taxation compliance	32,698	25,479
	93,698	83,479

Notes to the financial statements

30 June 2012

NOTE 29. CONTINGENT LIABILITIES

Rehabilitation bonds

The consolidated entity has given cash backed bank guarantees as at 30 June 2012 of \$50,000 (2011: \$50,000) to the NSW Department of Primary Industries regarding tenement rehabilitation bonds - refer note 13.

Alliance Resources Limited - Legal Proceedings

Below are details of legal proceedings initiated by Alliance's wholly owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE) against Quasar Resources Pty Ltd (Quasar), which is registered as the holder of a 75% interest in EL 3666 (ELA 215/11) and ML 6387 (Four Mile) and acts as manager of that project, and its affiliate, Heathgate Resources Pty Ltd (Heathgate) which are continuing or were settled during the year.

- Misleading and deceptive conduct – ACE is currently examining further documents disclosed by Heathgate and Quasar. NO hearings are currently scheduled.

- Native Title Mining Agreement - A deed of settlement was executed by the parties in December 2011 and notices of discontinuance filed on 9 February 2012. The terms of the settlement included registration of an NTMA but are otherwise confidential.

- Access to books, records and agreements pertaining to the Four Mile Joint Venture – ACE's application for access to certain books and records maintained by Quasar was refused on 26 March 2012. ACE has appealed that part of the decision dismissing ACE's application for disclosure of documents on the basis that they are jointly owned having been prepared by Quasar, as manager, on behalf of both itself and ACE. The appeal will be heard on 19 and 20 November 2012.

Further details of these proceedings may be found on the Company's website at www.allianceresources.com.au.

	Consolidated 2012 \$	Consolidated 2011 \$
NOTE 30. COMMITMENTS		
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	43,519	-
Exploration commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	539,333	457,000
One to five years	3,863,333	-
	4,402,666	457,000
Development commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	13,601,683	13,799,715

Exploration Commitments - The consolidated entity must meet tenement expenditure commitments to maintain them until they expire, are otherwise disposed of, or are renegotiated. Exploration licenses have been granted for between 1 and 2 years for all States that the Company operates in.

Development Commitments - The Consolidated entity must meet the development commitments to maintain its interest in the uranium project. The commitments reflect Alliance's 25% share of the remaining Four Mile Project development costs until first production, adjusted for estimated storage and handling costs while project is delayed and estimated re-start costs. Due to various litigation actions between the joint venture partners, the Four Mile Project has suspended development. Timing regarding the recommencement up of development is unknown.

Notes to the financial statements

30 June 2012

NOTE 31. RELATED PARTY TRANSACTIONS

Parent entity

Alliance Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 33.

Associates

Interests in associates are set out in note 34.

Joint ventures

Interests in joint ventures are set out in note 35.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2012 \$	Consolidated 2011 \$
Payment for other expenses:		
Fees in terms of a management service agreement*	328,443	358,491

* 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 2012 Gandel Metals Trust charged a mark-up of 15% on the time spent by Gandel Metals employees' costs allocated to Alliance Resources Limited and subsidiaries, no mark up is charged on other costs. Fees include fees for staff & executive costs, office space and amenities.

Receivable from and payable to related parties

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

Current payables:

Trade payables to other related party - Gandel Metals Trust	31,330	32,010
Accrual for fees to other related party - Gandel Metals Trust*	120,000	-

* Consulting fees charged by Mr Gandel. These consulting fees relates to additional work undertaken in relation to the ITOCHU transaction as agreed by the Board.

Loans to/from related parties

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

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Notes to the financial statements

30 June 2012

NOTE 32. PARENT ENTITY INFORMATION

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

	Parent 2012 \$	Parent 2011 \$
Statement of comprehensive income		
Loss after income tax	(2,878,858)	(10,443,551)
Total comprehensive income	(2,878,858)	(10,443,551)
Statement of financial position		
Total current assets	30,971,114	33,553,371
Total assets	51,355,449	52,340,914
Total current liabilities	469,263	442,745
Total liabilities	518,568	479,078
Equity		
Issued capital	98,918,022	98,918,022
Share-based payments reserve	53,900	-
Accumulated losses	(48,135,041)	(47,056,186)
Total equity	50,836,881	51,861,836

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2012 (2011: Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2012 (2011: Nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following: Investments in subsidiaries are accounted for at cost, less any impairment.

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 inter company loan is not recorded above its recoverable amount.

NOTE 33. SUBSIDIARIES

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

Name of entity	Country of incorporation	Equity holding 2012 %	Equity holding 2011 %
Alliance (NSW) Pty Ltd	Australia	100	100
Alliance (SA) Pty Ltd	Australia	100	100
Alliance Craton Explorer Pty Ltd	Australia	100	100
Alliance (Chile) Pty Ltd**	Australia	100	100
Maldon Resources Pty Ltd*	Australia	-	-

* On 22 December 2010, the sale of Maldon Resources Pty Ltd to Octagonal Resources Limited ("Octagonal") was completed. Maldon Resources Pty Ltd owned the Maldon Gold Project.

Alliance received \$5,500,000 in Octagonal shares (22,000,000 shares at the IPO price of \$0.25 per share).

Octagonal (ASX Code: ORS) was listed on the ASX on 5 January 2011. Alliance owns approximately 22% of the issued capital of Octagonal resulting in the investment being an Investment in Associate, and is accounted for using the Equity Method (Refer note 14).

** Alliance (Jordan) Pty Ltd was incorporated on 24 March 2011 and the name was subsequently changed to Alliance (Chile) Pty Ltd.

Notes to the financial statements

30 June 2012

NOTE 34. INVESTMENTS IN ASSOCIATES

Interests in associates are accounted for using the equity method of accounting. Information relating to associates is set out below:

Associate	Principal activities	Consolidated Percentage interest	
		30 June 2012 %	30 June 2011 %
Octagonal Resources Limited (ASX: ORS)	Exploration & Mining	21.99	21.99

Summarised financial information of investment in associate – Octagonal Resources Limited - 21.99%

	Consolidated 2012 \$	Consolidated 2011 \$
Share of assets and liabilities		
Current assets	598,788	1,816,477
Non-current assets	4,434,692	3,586,377
Total assets	5,033,480	5,402,854
Current liabilities	94,236	101,869
Non-current liabilities	222,130	196,485
Total liabilities	316,366	298,354
Net assets	4,717,114	5,104,500
Share of revenue, expenses and results		
Loss	(387,385)	(210,414)
Loss before income tax	(387,385)	(210,414)

NOTE 35. INTERESTS IN JOINT VENTURES

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

Joint venture	Principal activities	Consolidated Percentage interest	
		30 June 2012 %	30 June 2011 %
Four Mile Project	Development of the Four Mile Uranium Project	25	25

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

Information relating to the joint venture partnership is set out below.

	Consolidated 2012 \$	Consolidated 2011 \$
Share of assets and liabilities		
Assets	11,772,671	11,718,015
Total assets	11,772,671	11,718,015
Liabilities	(82,268)	(8,071)
Total liabilities	(82,268)	(8,071)
Net assets	11,690,403	11,709,944
Share of revenue, expenses and results		
Loss	(564,046)	(376,827)
Loss before income tax	(564,046)	(376,827)

Notes to the financial statements

30 June 2012

NOTE 36. EVENTS AFTER THE REPORTING PERIOD

Other than those matters described below, since 30 June 2012, 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.

Strategic Alliance with Itochu Corporation

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

A General Meeting of shareholders was held on 15 August 2012 at which the issue of Deferred Share Rights to ITOCHU and their conversion into shares in accordance with the terms of the Deed was approved.

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

On 26 July 2012, Alliance (Chile) Pty Ltd secured an option agreement to explore and acquire 100% interest in the Japonesa copper-gold properties in the historic Cabeza de Vaca district of Atacama Region III close to the mining centre of Copiapo.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

	Consolidated 2012 \$	Consolidated 2011 \$
NOTE 37. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES		
Loss after income tax benefit for the year	(3,807,630)	(8,644,090)
Adjustments for:		
Depreciation and amortisation	20,983	23,643
Impairment of investments	9,543	2,441,949
Write off of property, plant and equipment	3	-
Net gain on disposal of non-current assets	-	(95,188)
Share of profit - associates	387,385	-
Share of profit - joint ventures	564,045	376,827
Loss on sale of subsidiary	-	2,504,884
Share based payments	53,900	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	359,946	(167,540)
Decrease/(increase) in prepayments	43,505	(45,747)
Increase/(decrease) in trade and other payables	39,964	(259,786)
Increase in other provisions	36,080	104,263
Net cash used in operating activities	(2,292,276)	(3,760,785)

Notes to the financial statements

30 June 2012

	Consolidated 2012 \$	Consolidated 2011 \$
NOTE 38. EARNINGS PER SHARE		
Earnings per share from continuing operations		
Loss after income tax attributable to the owners of Alliance Resources Limited	(3,807,630)	(5,653,537)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	341,172,309	341,172,309
Weighted average number of ordinary shares used in calculating diluted earnings per share	341,172,309	341,172,309
	Cents	Cents
Basic earnings per share	(1.12)	(1.66)
Diluted earnings per share	(1.12)	(1.66)
Earnings per share from discontinued operations		
Loss after income tax attributable to the owners of Alliance Resources Limited	-	(2,990,553)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	341,172,309	341,172,309
Weighted average number of ordinary shares used in calculating diluted earnings per share	341,172,309	341,172,309
	Cents	Cents
Basic earnings per share	-	(0.88)
Diluted earnings per share	-	(0.88)
Earnings per share for loss		
Loss after income tax attributable to the owners of Alliance Resources Limited	(3,807,630)	(8,644,090)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	341,172,309	341,172,309
Weighted average number of ordinary shares used in calculating diluted earnings per share	341,172,309	341,172,309
	Cents	Cents
Basic earnings per share	(1.12)	(2.53)
Diluted earnings per share	(1.12)	(2.53)

Notes to the financial statements

30 June 2012

NOTE 39. SHARE-BASED PAYMENTS

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

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

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
30 June 2012							
30/11/11*	30/04/14	\$0.30	-	1,000,000	-	-	1,000,000
30/11/11**	30/04/15	\$0.50	-	1,000,000	-	-	1,000,000
		-	-	2,000,000	-	-	2,000,000

* Unlisted Options issued to the Managing Director, Mr S Johnston. Exercisable at \$0.30, vesting 6 months after issue. Expiry 30 April 2014. The issue was approved at the Company's AGM on 10 November 2011.

** Unlisted Options issued to the Managing Director, Mr S Johnston. Exercisable at \$0.50, vesting 6 months after issue. Expiry 30 April 2015. The issue was approved at the Company's AGM on 10 November 2011.

30 June 2011

22/10/07	31/10/10	\$1.60	3,200,000	-	-	(3,200,000)	-
29/11/07	31/10/10	\$1.60	3,000,000	-	-	(3,000,000)	-
01/12/08	31/10/11	\$1.00	1,000,000	-	-	(1,000,000)	-
01/12/08	31/10/11	\$1.20	1,000,000	-	-	(1,000,000)	-
			8,200,000	-	-	(8,200,000)	-

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

Grant date	Expiry date	30 June 2012	30 June 2011
30/11/11	30/04/14	1,000,000	-
30/11/11	30/04/15	1,000,000	-
Total exercisable		2,000,000	-

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/11/11	30/04/14	\$0.14	\$0.30	66.67%	0.00%	3.93%	\$0.0273
30/11/11	30/04/15	\$0.14	\$0.50	69.23%	0.00%	3.93%	\$0.0127

Notes to the financial statements

30 June 2012

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

	Series 5	Series 6
Share price at grant date	\$0.14	\$0.14
Exercise price	\$0.30	\$0.50
Expected volatility	66.67%	69.23%
Risk-free interest rate	3.93%	3.93%
Fair value at grant date	\$0.0273	\$0.0266

The following share-based payment arrangements were in existence during the current and previous financial year:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
1 Staff, Consultants & Contractors	3,300,000	22/10/2007	31/10/2010	1.60	0.521
2 Directors	3,000,000	29/11/2007	31/10/2010	1.60	0.647
3 Managing Director - Mr P Mutz*	1,000,000	1/12/2008	31/10/2011	1.00	0.108
4 Managing Director - Mr P Mutz*	1,000,000	1/12/2008	31/10/2011	1.00	0.086
5 Managing Director - Mr S Johnston	1,000,000	30/11/2011	30/04/2014	0.30	0.0273
6 Managing Director - Mr S Johnston	1,000,000	30/11/2011	30/04/2015	0.50	0.0266

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.

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.

All option series vested during or prior to 30 June 2012. The Series 1-4 Options expired or were forfeited during the 2011 Financial Year.

* Cancelled on resignation of Mr P Mutz.

Options Series 1-4 were all valued using the Binomial Model. Detailed below are the valuation inputs:

	Series 1	Series 2	Series 3	Option series Series 4
Grant date share price	1.39	1.56	0.42	0.42
Exercise price	1.60	1.60	1.00	1.00
Expected volatility	72.00%	72.00%	80.00%	80.00%
Risk-free interest rate	6.52%	6.46%	3.52%	3.52%

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors



John Dunlop

Chairman

27 September 2012, Melbourne

Independent audit report



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INDEPENDENT AUDITOR'S REPORT

To the members of Alliance Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Alliance Resources Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.



Independence

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

Opinion

In our opinion:

- (a) the financial report of Alliance Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 20 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Alliance Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

A handwritten signature in blue ink, appearing to read 'David Garvey'. Above the signature, the letters 'BDO' are written in a smaller, stylized blue font.

David Garvey
Partner

Melbourne, 27 September 2012

Additional ASX disclosure

For the year ended 30 June 2012

The shareholder information set out below was applicable as at 12 September 2012

Distribution of equitable securities

Distribution of holdings	Number of holders
1 to 1,000	1,240
1,001 to 5,000	2,170
5,001 to 10,000	1,059
10,001 to 100,000	1,948
100,001 and over	358
	6,775
Minimum \$500.00 parcel at \$0.23 per unit	2,158

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest quoted equity security holders as at 12 September 2012 are listed below:

Rank	Name	Units	% of units
1.	Abbotsleigh Pty Ltd	87,875,150	25.76
2.	Nefco Nominees Pty Ltd	7,752,000	2.27
3.	John S Dunlop Nominees Pty Ltd <John S Dunlop Fam Super A/C>	6,070,000	1.78
4.	J P Morgan Nominees Australia Limited	5,685,444	1.67
5.	Citicorp Nominees Pty Limited	5,435,960	1.59
6.	J P Morgan Nominees Australia Limited <Cash Income A/C>	5,217,191	1.53
7.	Holbrook Corporation Pty Ltd	4,747,821	1.39
8.	Hsbc Custody Nominees (Australia) Limited	4,202,516	1.23
9.	Hsbc Custody Nominees (Australia) Limited - A/C 3	4,078,335	1.20
10.	Home Ideas Show Pty Ltd <UB Promotions SPF A/C>	3,995,000	1.17
11.	National Nominees Limited	3,797,951	1.11
12.	Minlink Pty Ltd <Stephen Johnston S/Fund A/C>	3,487,733	1.02
13.	Mr Jason Miles Bartlett	3,140,000	0.92
14.	BNP Paribas Noms Pty Ltd <Master Cust DRP>	2,816,911	0.83
15.	Ms Catherine Patricia Burrow + Mr Keith Lawrence Burrow <KL&CP Burrow Super Fund A/C>	2,500,000	0.73
16.	UBS Wealth Management Australia Nominees Pty Ltd	2,332,672	0.68
17.	Mr Steven James Cole	2,300,000	0.67
18.	UBS Nominees Pty Ltd	2,195,509	0.64
19.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,071,466	0.61
17.	Minlink Pty Ltd <Sf Johnston Family A/C>	2,000,000	0.59
Totals: Top 20 Holders Of Ordinary Fully Paid Shares (Total)		161,701,659	47.39
Total Remaining Holders Balance		179,470,650	52.61

Additional ASX disclosure

For the year ended 30 June 2012

	Number on issue	Number of holders
Unquoted equity securities		
Unlisted options – Exercise price \$0.30, expire 30 April 2014	1,000,000	1
Unlisted options – Exercise price \$0.50, expire 30 April 2015	1,000,000	1

	Shares	%
Substantial holders		
Abbotsleigh Pty Ltd	87,875,150	25.76

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 (ESOP). The ESOP was re-approved at the 2010 General Meeting to incorporate certain amendments. Details of shares issued under the plan are detailed in the Directors Report.

Audit And Risk 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 meeting 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 Director 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 Director which will meet at least once during each half-year.

Additional ASX disclosure

For the year ended 30 June 2012

Mining Tenements

Project/Location	Holder	Minerals	Tenement	Expiry Date	Interest (%)	Notes
Four Mile/Arkaroola, SA	Alliance Craton Explorer Pty Ltd	Uranium	ML6402	25/04/2022	25	1,2,3
Four Mile, Arkaroola, SA	Alliance Craton Explorer Pty Ltd	All	ELA2011/00215	04/12/2011(4)	25	1,2,3,4
East Frome/Broken Hill, NSW	Alliance (NSW) Pty Ltd	All	EL6836	19/07/2013	100	1
Warrina/Cooper Pedy SA	Alliance (SA) Pty Ltd	All	EL4802	14/11/2013	100	1,2
Warrina/Cooper Pedy SA	Alliance (SA) Pty Ltd	All	ELA2011/00281		100	1,5
East Frome/Broken Hill, NSW	Alliance (NSW) Pty Ltd	Group 1	EL7128	21/04/2012(6)	100	1,6
East Frome/Broken Hill, NSW	Alliance (NSW) Pty Ltd	Group 1	EL7210	01/10/2012(7)	100	1,7
East Frome/Broken Hill, NSW	Alliance (NSW) Pty Ltd	Group 1	EL7636	25/10/2012	100	1
Paola/Cabeza de Vaca, Chile	Alliance (Chile) Pty Ltd	All	032039199-7	30/01/2015(9)	Nil	1,8,9
Ceci/Cabeza de Vaca, Chile	Alliance (Chile) Pty Ltd	All	032035804-3	30/01/2015(9)	Nil	1,8,9
Japonesa/Cabeza de Vaca, Chile	Alliance (Chile) Pty Ltd	All	032030827-5	25/07/2015(9)	Nil	1,8,9
Plano 01/Cabeza de Vaca, Chile	Alliance (Chile) Pty Ltd	All	V-1150-2012		100	1,8,10
Plano 02/Cabeza de Vaca, Chile	Alliance (Chile) Pty Ltd	All	V-1149-2012		100	1,8,10
Plano 03/Cabeza de Vaca, Chile	Alliance (Chile) Pty Ltd	All	V-1148-2012		100	1,8,10

Notes

- Tenements as at 5 September 2012.
- Subject to a 1% net smelter return royalty.
- Alliance Craton Explorer Pty Ltd as to 25% and Quasar Resources Pty Ltd as to 75%.
- Application for subsequent licence to EL3666 lodged 22/08/2011.
- Application for EL lodged 2/12/2012.
- Renewal application lodged 6 March 2012.
- Renewal application lodged 28 August 2012.
- Under the terms of an agreement between Alliance Chile Pty Ltd and Minera Fuego Ltda (MAF), Alliance Chile holds 90% and MAF 10% respectively of the exploration, prospecting or mining rights within defined areas of the project. Alliance Chile has the right to acquire the whole of MAF's interest in the areas at an agreed price following the establishment of an Inferred mineral resource.
- Option to purchase. Term 3 years, annual payments and exercise costs confidential pending negotiation of further tenements.
- Application for exploration licences (pedimentos) lodged 29 February 2012.





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