ALLIANCE RESOURCES LIMITED

ANNUAL REPORT **2018**

Contents

Corporate Directory

Directors

Ian J Gandel *Chairman*

Stephen F Johnston *Managing Director*

Anthony D Lethlean *Director*

Company Secretary

Robert P Tolliday

Notice of annual general meeting

The details of the annual general meeting of Alliance Resources Limited are:
10.30am, 20 November 2018
HWL Ebsworth Lawyers
Level 23, 530 Collins Street
Melbourne VIC 3000

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Share Registry

Computershare Investor Services
GPO Box 2975
Melbourne, VIC 3001
Telephone 1300 850 505
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Auditor

BDO East Coast Partnership

Collins Square, Tower 4, Level 18

727 Collins Street
Melbourne, Vic 3000

Solicitors

HWL Ebsworth Lawyers
Level 26, 530 Collins Street
Melbourne, Vic 3000

Bankers

Australia and New Zealand Banking Group Limited (ANZ)

ASX Code

Alliance Resources Limited shares are listed on the Australian Securities Exchange (ASX code: AGS)

Website allianceresources.com.au
E-mail info@allianceresources.com.au

Dear Fellow Shareholders,

It gives me great pleasure to provide you with the 2018 Annual Report for Alliance Resources Limited (ASX: AGS) and update you on our progress over the past year.

Throughout the year our efforts have been focused on the Wilcherry Project Joint Venture (Wilcherry Project) in which we increased our interest to 75.01% (Tyranna Resources Ltd, 24.99%).

Weednanna is the most advanced gold deposit at the Wilcherry Project and is a shallow high grade gold system under thin cover.

Post period, the delivery of a maiden Mineral Resource of 1.097Mt @ 5.1 g/t gold for 181,000 ounces gold was a significant milestone for the Company and confirms Weednanna as a quality gold deposit with outstanding economic potential.

The high grade gold mineralisation at Weednanna is open at depth or down plunge and there is the potential for both extensions to existing gold shoots and for the discovery of new gold shoots within the immediate Mineral Resource area.

The maiden Mineral Resource is the first step towards establishing the Wilcherry Project area as an emerging gold-producing district in South Australia. We are excited not only by the commercial potential we see at Weednanna, but by the broader gold potential in the entire Wilcherry Project area which has seen very little systematic historic gold exploration.

I would like to thank the Board of Directors for their guidance over the past year and our staff, contractors, shareholders and stakeholders for their support over the past year.

The year ahead holds plenty of promise for Alliance as we further explore the Wilcherry Project as well as others in our portfolio, and I look forward to sharing our successes with you.

Ian Gandel
Chairman

Alliance Resources Limited (ASX: AGS, "Alliance" or "the Company") is an ASX-listed gold and base metals explorer with projects in South Australia and Western Australia.

WILCHERRY PROJECT JOINT VENTURE SOUTH AUSTRALIA

The Wilcherry Project (Project) is located within the Gawler Craton, northern Eyre Peninsula, 40 km north of Kimba in South Australia. The Project comprises seven exploration licences covering 1,200 km^2 which are prospective for gold and base metals.

The Project is held under JV with Tyranna Resources Ltd (Alliance 75.01%, Tyranna 24.99%) and Alliance is sole funding $3.2 million exploration in FY 2019 and subject to expenditure, may increase its ownership to 83.6%.

Weednanna Gold Deposit

Weednanna is the most advanced gold deposit at the Project and is a shallow high grade gold system under thin cover.

The Weednanna deposit has been the focus of Alliance's work programs throughout the year, including:

- Multi-phase drilling programs at Weednanna (43 reverse circulation holes for 6,378m) to further define the geometry of four high-grade gold shoots referred to as Shoots 1, 2, 3 and 4 and also initial testing of Shoot 5
- Metallurgical Testwork
- Re-logging of all historical results
- 3D Modelling
- High Resolution Gravity Survey

The following intercepts >100 g/t*m (grade x thickness) were reported during the year:

- 60m @ 5.65 g/t Au from 47m in 17WDRC032 (Shoot 1)
- 15m @ 18.21 g/t Au from 107m in 17WDRC067 (Shoot 4)
- 35m @ 3.65 g/t Au from 43m in 17WDRC051 (Shoot 1)
- 12m @ 10.18 g/t Au from 92m in 18WDRC005 (Shoot 4)

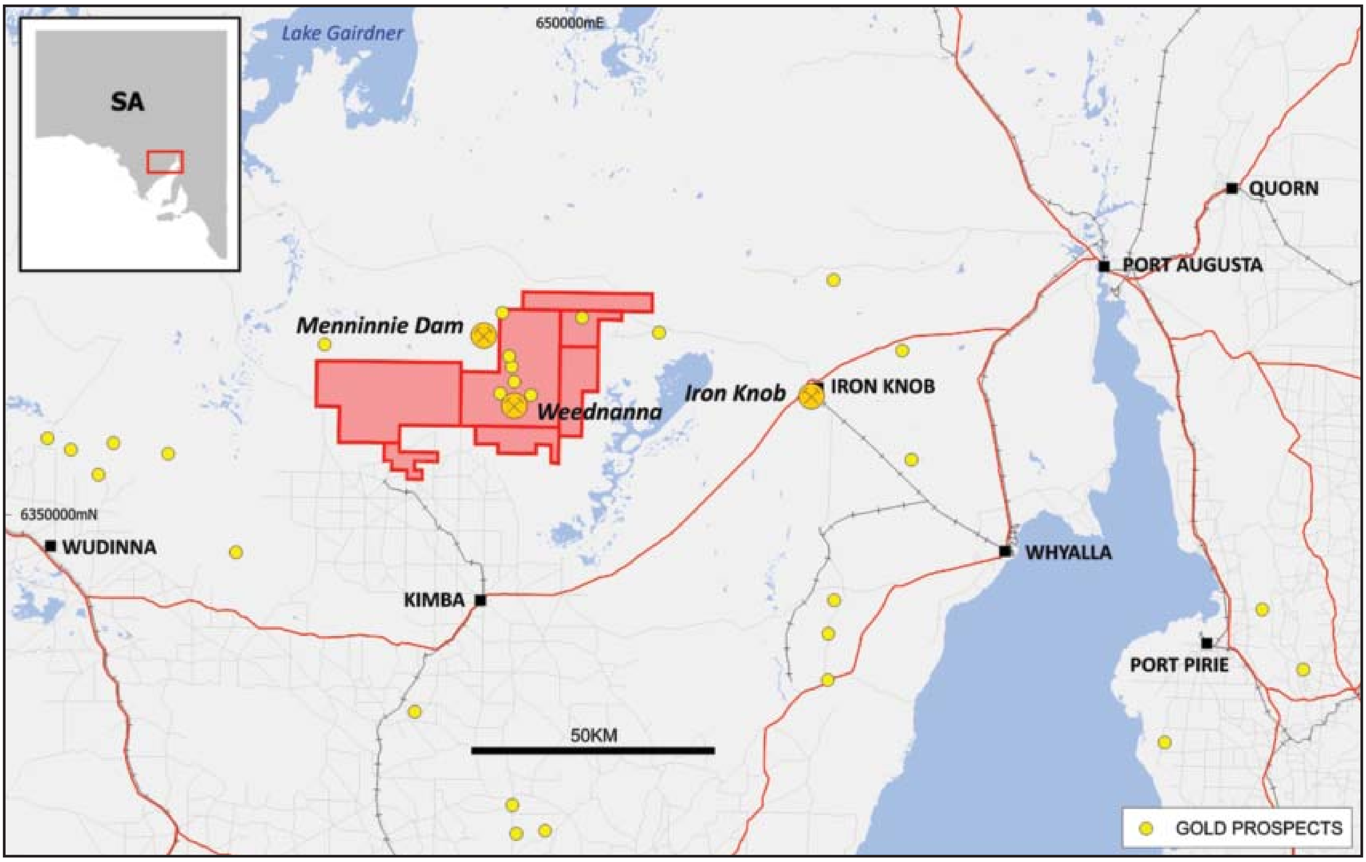

Figure 1. Wilcherry Project location

Maiden Mineral Resource

On 6 September 2018, a Mineral Resource estimate for the Weednanna Gold Deposit was announced, classified in accordance with the JORC Code (2012 Edition), as follows:

Classification	Tonnes	Grade (g/t gold)	Gold (Ounces)
Indicated	590,000	4.6	88,000
Inferred	507,000	5.7	93,000
Total	1,097,000	5.1	181,000

The reported Mineral Resource is that proportion of gold contained within $2,000 AUD pit shells (>0.5 g/t gold) and >2.0 g/t gold underground potential.

The delivery of the resource is a significant milestone for the Company, confirming Weednanna as a quality gold deposit with outstanding economic potential and is the first step towards establishing the Wilcherry Project as an emerging gold-producing district in South Australia.

Approximately 45% of the Mineral Resource >0.5 g/t Au has been classified as Indicated and 55% classified as Inferred. The Indicated classification corresponds with areas of higher drilling density and the Inferred classification with areas of lower drilling density. The Inferred Mineral Resource also reflects decrease in the density of drilling with depth.

The dimensions of the Mineral Resource area are 1,100m (north-south), 500m (east-west) and from surface to a maximum depth of 200m. The bulk of the Mineral Resource (83%) occurs within 120m of surface where there is a higher drilling density, representing a gold endowment of 1,253 ounces per vertical metre (OPVM). The overall gold endowment is 900 OPVM which reflects the abovementioned lower density of drilling with depth.

All gold shoots contributing to the Mineral Resource are open either at depth, or down plunge.

In addition, there are zones within the top 100m of the Mineral Resource area that lack drilling and which have potential for the discovery of new gold shoots based on historical drilling.

Extensional drilling and drilling at depth is planned to identify additional gold mineralisation and infill drilling is planned to upgrade the Inferred Mineral Resource to the Indicated category.

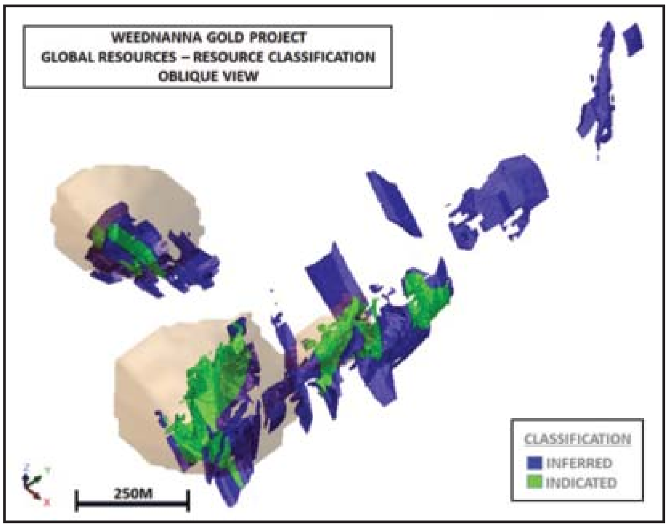

Figure 2. Mineral Resource block model >0.5 g/t Au showing Indicated and Inferred classifications

Open pit optimisation studies were completed on the Mineral Resource using Whittle software, with mining and processing cost assumptions provided by Mining One (Table 1). These were run at Australian dollar gold prices ranging between $1,200 and $2,500. For the purpose of reporting resources the $2,000 AUD gold price case was selected as appropriate given the August 2018 gold price of approximately $1,600 AUD (Table 2).

Parameter	Metric
Mining Cost	$4.50/t
Processing Cost	$30/t
Mining Dilution	10%
Mining Recovery	90%
Processing Recovery	90%
State Royalty	3.5%
Average Pit Wall Angle	40°
Gold Price ($AUD)	$1,200 – $2,500 ($2,000 selected)

Table 1. Pit Optimisation Assumptions

The underground mining potential was derived by the amount of Mineral Resource below pit shells and above a cut-off grade of 2.0 g/t gold (Table 2). The cut-off grade was defined using underground mining and processing costs based on Mining One's experience. In future, as the underground mining costs are better defined, underground optimisations will be run on the Mineral Resource which will model development and stope design.

Classification	Tonnes	Grade (g/t gold)	Gold (Ounces)
Above Pit Shells ($2,000 AUD) >0.5 g/t Au			
Indicated	488,000	3.8	59,000
Inferred	209,000	2.8	19,000
Sub-Total	**697,000**	**3.5**	**78,000**
Below Pit Shells ($2,000 AUD) >2.0 g/t Au – Underground Potential			
Indicated	102,000	8.8	29,000
Inferred	298,000	7.8	74,000
Sub-Total	**400,000**	**8.0**	**103,000**
Total – Open Pit & Underground			
Indicated	590,000	4.6	88,000
Inferred	507,000	5.7	93,000
Total	**1,097,000**	**5.1**	**181,000**

Table 2. Weednanna Mineral Resource contained within pit shells using a gold price A$2,000/oz & >0.5 g/t Au plus underground potential above a cut-off grade of 2.0 g/t gold

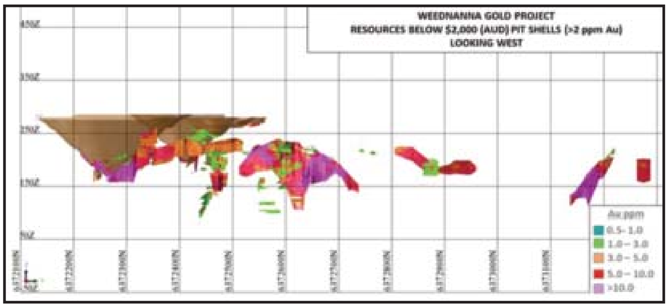

Figure 3. Mineral Resource Blocks (Au ppm) below $2000 AUD Pit Shell - Looking West

The results of the pit optimisation studies and assessment of the underground potential of the Weednanna Mineral Resource show that a majority of the global resource has been constrained, indicating a robust deposit with outstanding economic potential.

Refer to ASX announcement 6 September 2018 for details of the Mineral Resource.

The entity is not aware of any new information or data that materially affects the information included in the ASX announcement on 6 September 2018 and that all the material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.

3D Modelling

Post period, Alliance announced the completion of the Weednanna 3D geological modelling in support of the maiden Mineral Resource.

As Alliance's understanding of the lithological and structural controls on the distribution of gold has evolved the significance of additional gold mineralisation has been recognised from drilling intercepts in the historical database.

Thirteen gold shoots were identified during the 3D modelling process, including Shoots 1 to 4 that have been the focus of Alliance's drilling activities during 2017 and 2018.

The 3D modelling of this historic gold mineralisation is essential for the purposes of planning exploration in order to grow the Project going forward.

Between 1982 and present 147 RAB holes, 23 aircore holes, 442 RC holes and 41 diamond holes have been drilled at Weednanna to test for economic concentrations of gold and iron ore.

During 2017 and 2018 Alliance has systematically completed re-logging of all available RC chips and diamond core from Weednanna to provide detailed data for geological interpretation and 3D modelling. Where drill chips or diamond core were not available for re-logging historic geological logging sheets were re-digitised to ensure the capture of all available geological data.

In total, 256 RC holes for 20,889 metres and 40 diamond holes for 4,779.6 metres were re-logged in addition to the 92 RC holes for 14,341 metres drilled by Alliance during 2017 and 2018.

Cross-sectional interpretation was completed on 25 metre spaced traverses along the 1,325 metre strike length of the deposit.

All gold shoots are unconstrained by drilling in at least one direction and have the potential to increase in size with further drilling.

In addition, a major northwest striking and moderate east dipping quartz vein has been identified that appears to splay off the footwall contact of the Paleo-Proterozoic meta-sedimentary package into Archaean granite / gneiss. This quartz vein is up to 20 metres thick and contains fine disseminated pyrite. The significance and timing of this quartz vein is uncertain at this stage, however, it occurs in the immediate hangingwall to gold mineralisation at Shoot 1.

The quartz vein is generally weakly mineralised, however hole 00WDRC072 has intersected 48m @ 2.0 g/t Au from 54m depth, including 7m @ 5.4 g/t Au from 69m and 2m @ 16.0 g/t Au from 98m hosted within the quartz vein near Shoot 1. 3D modelling suggests that the quartz vein changes strike in this area. The quartz vein will not form part of the mineral resource estimation at this stage as further drilling is warranted to test for extensions to these gold-bearing zones within this structure.

Refer to ASX announcement 16 July 2018 for details of the Exploration Results.

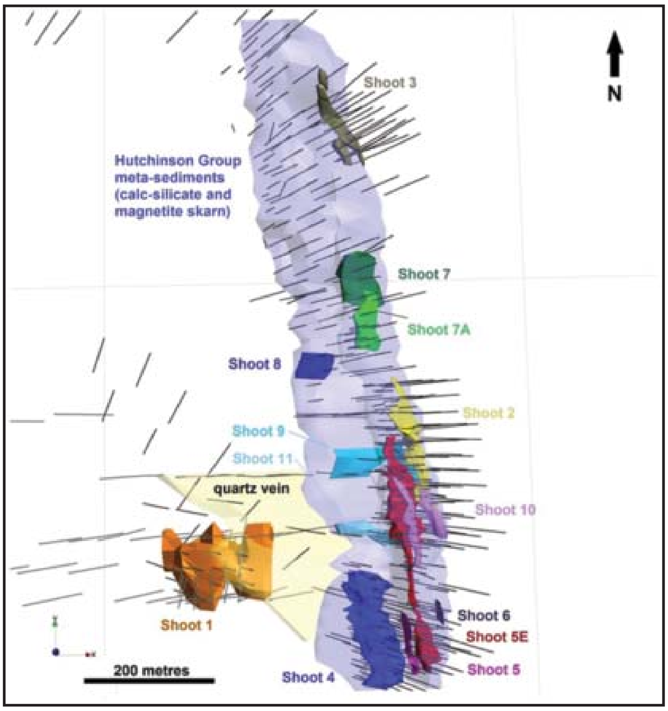

Figure 4. Weednanna 3D Model showing gold mineralised shoots and geology

Metallurgical Testwork

Alliance continues to carry out a staged program of metallurgical testwork aiming to optimise gold recovery and culminating in process design criteria and capital and operating costs for the processing base case.

Metallurgical testwork from Weednanna Shoots 1, 2, 3 and 4 indicates that gold mineralisation is amenable to conventional grinding and cyanide recovery techniques.

Alliance has engaged BHM Process Consultants in Perth to undertake a staged program of metallurgical work with the aim of optimising gold recovery and culminating in process design criteria and capital and operating costs for the processing base case.

The outcomes of the process design work will feed into a scoping study in 2H 2018.

Refer to ASX announcements dated 19 January 2018 and 11 April 2018 for further details.

Gravity Survey

In April the Company completed a high-resolution gravity survey at Weednanna. A total of 2,548 stations were surveyed, comprising 1,915 stations using a 25m grid over the central part of the Weednanna deposit and 633 stations using a 50m grid elsewhere.

The gravity data will assist with mapping the sub-surface geology, particularly the target corridors of calc-silicate and magnetite skarn that host high grade gold shoots. The data will complement the existing geophysical datasets at Weednanna and will be utilised for constrained 3D inversion modelling to assist with targeting new gold lodes.

Refer to ASX announcement 26 April 2018 for details of the gravity survey.

Regional Gold Potential

Preliminary compilation of the historic geochemical and drilling databases indicates intercepts >1 g/t gold (Au) exist at the Mawson, Ultima Dam South and Weednanna North prospects, with anomalous gold >0.2 g/t Au at the Ultima Dam and Ultima Dam North prospects.

The Mawson prospect, 3,600m to the northwest of Weednanna, was initially identified by calcrete sampling in the 1990's that defined a gold-in-calcrete anomaly over the southern part of the prospect. In 1999, drilling by Anglogold into the calcrete gold anomaly intersected 29m @ 0.86% Cu from 41m in 99WDRC061. Trafford drilled nine RC holes across Mawson in 2008, including four with diamond tails. Five holes report significant intercepts >1 g/t Au, with a best intercept of:

5m @ 2.46 g/t Au from 159m in 08MAW008, including 3m @ 3.30 g/t gold from 161m

This drilling targeted a belt of northwest-striking magnetic anomalism (6 km long by 300-400m wide) and corresponding with the eastern edge of a gravity anomaly. These high-grade holes occur over a strike length of approximately 1,500m. The mineralisation is open to the north, up-dip and at depth.

The Ultima Dam South prospect, 3,200m to the northeast of Weednanna, was drilled by Anglogold in 1999. Two holes report significant intercepts >1 g/t Au, with a best and shallow intercept of:

1m @ 4.09 g/t Au from 14m in 99UDSR029

This drilling targeted a belt of northwest-striking magnetic anomalism that locally strikes northeast at Ultima Dam South and is approximately 350m long by 250m wide. These high-grade holes occur over a strike length of 100m, although a lower grade intercept (>0.5 g/t Au) to the north extends the strike length to at least 200m. The mineralisation is open to the north and at depth.

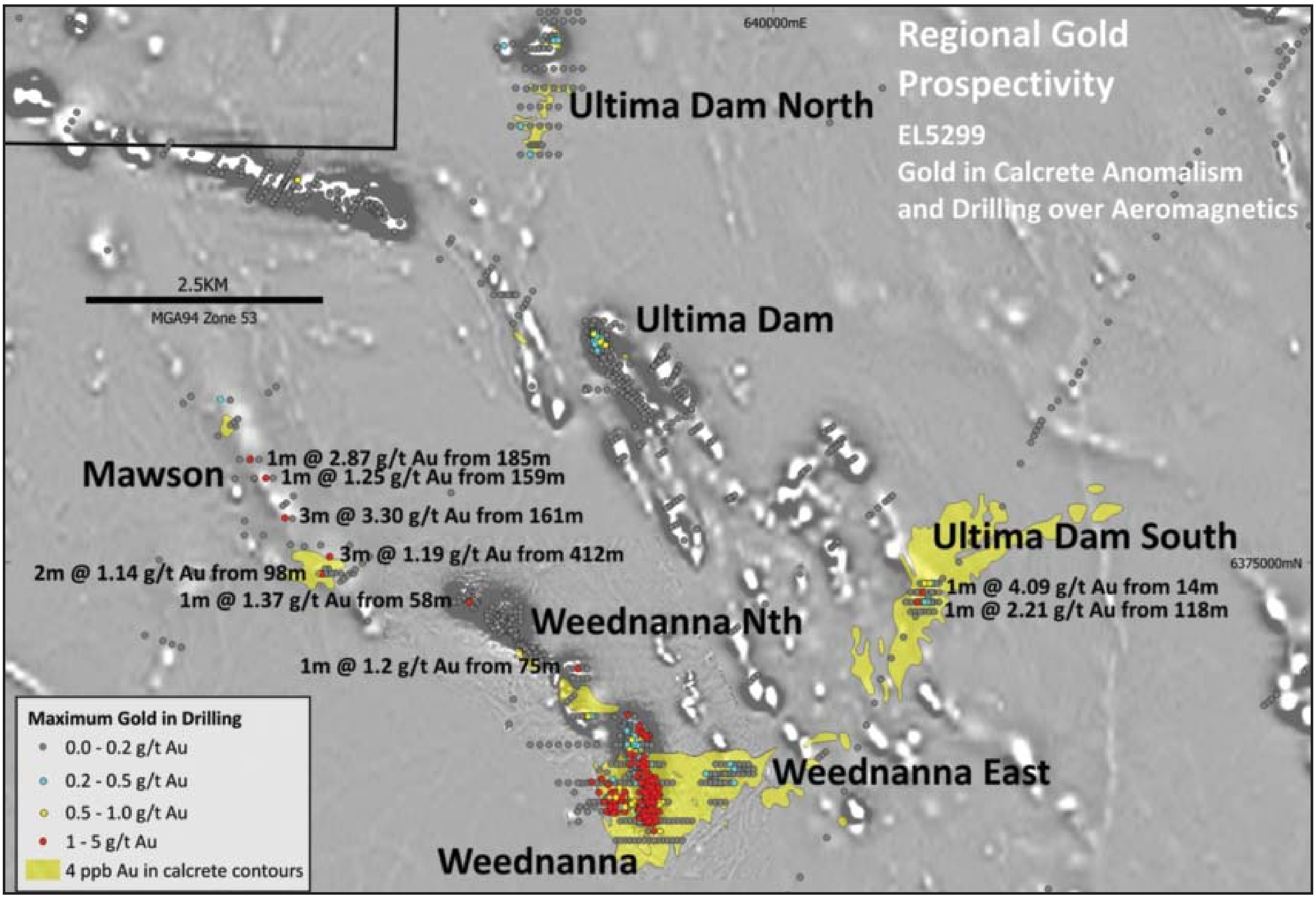

Figure 5. Wilcherry Project Regional Gold Prospectivity

Refer to ASX announcement 7 May 2018 for details of the Exploration Results.

Drilling of Regional MLEM Targets for Base Metals

During the year, Alliance drilled 14 RC holes for 2,396m and 6 rotary mud/diamond tail holes for 1,763m to test 17 ground moving loop electromagnetic (MLEM) targets.

No significant mineralisation was intersected in the RC holes with conductive sources explained as either weathering related features or graphitic schist. Downhole electromagnetic surveys were completed in these holes.

The best results to date from the diamond drilling were:

- 17EMRC001 at HEM Target 5 which intersected very strongly graphitic pelite from 116-155m. This intersection was analysed for Total Graphitic Carbon (TGC) and intersected 39m @ 8.0 % TGC from 116m, and
- 17TDDH001 at Telephone Dam, which intersected 12.7m @ 3.9% Pb, 0.2% Zn and 114 g/t Ag from 65.8m at a cut-off grade of 0.6% Pb (including 5.6m @ 6.8% Pb, 0.2% Zn and 209 g/t Ag from 66.9m). This mineralisation occurs in the supergene zone.

One diamond hole was in progress to test MLEM target HP10 at the end of the reporting period.

GUNDOCKERTA SOUTH PROJECT WESTERN AUSTRALIA

The Gundockerta South Project is located 72 km east of Kalgoorlie and is prospective for greenstone-hosted orogenic gold deposits.

The Company recently completed 66 aircore holes for 3,007 metres over the northern part of the target zone at Gundockerta South to test for low-level gold in regolith beneath a large zone of sporadic gold in soil anomalism.

Preliminary assays based on 4m composite scoop samples reported anomalous gold over 4m in two holes. One metre samples were subsequently submitted for assay but failed to report gold over the same sample intervals.

Future work includes aircore drilling over the southern part of the target zone.

Competent Persons

The information in this report that relates to the Mineral Resource Estimate for the Weednanna Gold Deposit released to ASX on 6 September 2018 is based on information compiled by Mr Stuart Hutchin. Mr Hutchin is a Member of the Australian Institute of Geoscientists and is a full-time employee of Mining One Pty Limited. Mr Hutchin has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the `Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hutchin consents 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 and the Mineral Resource statement as a whole is based on information compiled by and approved by Mr Stephen Johnston. Mr Johnston is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Alliance Resources Ltd. Mr Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the `Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC, 2012). Mr Johnston consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Disclaimer

This report contains certain forward looking statements and forecasts, including the intentions, plans, cost assumptions, prices, future performance or potential growth of Alliance Resources Ltd. Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors. Nothing in this report should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities.

NEPEAN SOUTH PROJECT
WESTERN AUSTRALIA

The Nepean South Project is located 26 km southwest of Coolgardie.

During the March quarter, Alliance drilled 90 aircore holes for a total of 4,392m to test two large gold-in-soil anomalies. No significant gold was reported.

The Nepean South Project remains prospective for nickel sulphide mineralisation.

TENEMENTS

Tenement	Name	Location	Beneficial percentage held at 30 June 2018
South Australia			
EL5961	Pinkwillinie	140 km W of Whyalla	75.01%
EL6072	Eurila Dam	80 km W of Whyalla	75.01%
EL6188	Wilcherry Hill	45 km N of Kimba	75.01%
EL5470	Uno/Valley Dam	105 km WSW of Port Augusta	75.01%
EL5590	Peterlumbo	140 km W of Port Augusta	75.01%
EL5875	Mount Miccollo	100 km W of Port Augusta	75.01%
EL5931	Maratchina Hill	20 km N of Kimba	75.01%
EL6142	White Well	30 km north of Hawker	100%
Western Australia			
E15/1483	Nepean South	26 km SW of Coolgardie	100%
E15/1543	Nepean SE	26 km SW of Coolgardie	100%
P15/6072	Nepean SW	26 km SW of Coolgardie	100%
E28/2572	Gundockerta South	72 km east of Kalgoorlie	100%

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or 'group') consisting of Alliance Resources Limited (referred to hereafter as the 'company' or 'parent entity' or 'Alliance') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

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:

Ian J Gandel (Non-Independent Non-Executive Chairman)

Anthony D Lethlean (Non-Executive Director)

Stephen F Johnston (Managing Director)

Principal activities

The principal activities of the consolidated entity during the year ended 30 June 2018 were exploring its projects in South Australia (Wilcherry Project Joint Venture) and Western Australia.

Dividends

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

Review of operations

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to $1,273,000 (30 June 2017: $1,150,000).

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.

Increase of interest in the Wilcherry Project Joint Venture to 75.01%

Alliance through its wholly owned subsidiary, Alliance Craton Explorer Pty Ltd (ACE), in late 2016 acquired 51% equity in the Wilcherry Project Joint Venture (Wilcherry Project) in the mineral rich Gawler Craton, South Australia from Trafford Resources Pty Ltd (Trafford), a wholly owned subsidiary of Tyranna Resources Limited (Tyranna) (ASX Code: TYX) for $2 million. The Wilcherry Project area is located within the southern part of the Gawler Craton in the northern Eyre Peninsula and currently comprises seven exploration licences covering 1,200 km^2. Both ACE and Trafford are to contribute to expenditure in accordance with their percent equity in the Wilcherry Project, or dilute using a standard dilution formula. Trafford elected not to contribute to the FY2018 Programme and Budget and accordingly ACE, as the sole contributor, increased its interest from 51% to 75.01% as at 30 June 2018.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Subsequent to balance date a new Wilcherry Project FY2019 Programme & Budget (FY2019 P&B) totalling $3,235,302 was approved by the Management Committee on 9 July 2018. Trafford subsequently confirmed it would not be contributing to the FY2019 P&B and thus will be diluting its interest in the joint venture. ACE has elected to make up Trafford's contribution shortfall thereby increasing ACE's interest from 75.01% to an estimated 83.64% by the end of the FY2019 P&B.

On 6 September 2018 Alliance announced a maiden Mineral Resource of 1.097 Mt @ 5.1 g/t gold for 181,000 oz gold, classified as Indicated and Inferred in accordance with the JORC Code, at the Weednanna deposit, part of the Wilcherry Project.

No other matter or circumstance has arisen since 30 June 2018 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

As described above ACE will be contributing 100% of the Wilcherry Project FY2019 P&B, and expects to further invest in the Wilcherry Project moving forward thereafter. The Boards strategy for the immediate future is to explore the Company's existing projects and continue to look out for other suitable acquisition opportunities in the resources sector.

Environmental regulation

Exploration activities at the groups projects in SA and WA are conducted in accordance with relevant guidelines appropriate to those jurisdictions.

Occupational Health & Safety

The group has in place policies to cover Induction of New Employees, Duty of Care, Safety, Environment, Return to Work, Harassment, Fitness for Work and Privacy, and to ensure Quality Assurance and Control of its operations. The group is committed to providing a safe working environment for employees, contractors and others who may be affected directly or indirectly by its activities, protection of the environment and respect for the indigenous cultures and communities in which it operates.

Information on directors

Name:	**Ian Jeffrey Gandel** (Appointed a director on 15 October 2003)
Title:	Non-Independent Non-Executive Chairman (Appointed on 23 June 2016)
Qualifications:	LLB, BEc, FCPA, FAICD
Experience and expertise:	Ian Gandel is a mining entrepreneur with extensive experience in retail and retail property management including Gandel Shopping Centres, Priceline Retail Chain and the Corporate Executive Offices serviced office chain. Ian is a former Director of Gandel Retail Trust. Ian has been an investor in the mining industry since 1994, is a substantial shareholder of a number of publicly listed Australian companies and is also involved in privately-funded exploration in Victoria and Western Australia.
Other current directorships:	Ian is also Non-executive Chairman of Alkane Resources Ltd (appointed 1 September 2017 and has been a non-executive director since 24 July 2006).
Former directorships (last 3 years):	Octagonal Resources Ltd (Non-executive Chairman from 10 November 2010 to 22 February 2016).
Special responsibilities:	Ian is a member of the Nominations, Remuneration and Audit & Risk Committees (appointed 5 August 2010).
Interests in shares:	29,957,438 (2017: 29,957,438)
Interests in options:	Nil (2017: Nil)

Name:	**Anthony (Tony) Dean Lethlean** (Appointed on 15 October 2003)
Title:	Independent Non-Executive Director
Qualifications:	BAppSc (Geology)
Experience and expertise:	Tony Lethlean is a geologist with over 10 years mining experience specialising in underground operations, including Kalgoorlie's Golden Mile (WMC & KCGM) and Bellevue. For over 17 years he has been in banking and stock broking, including the global mining group at CIBC World Markets.
Other current directorships:	Tony is also a non-executive director of Alkane Resources Ltd (appointed 30 May 2002).
Former directorships (last 3 years):	N/A
Special responsibilities:	Tony is the chairman of the Nominations, Remuneration and Audit & Risk Committees (appointed 5 August 2010).
Interests in shares:	487,501 (2017: 487,501)
Interests in options:	Nil (2017: Nil)

Name:	**Stephen (Steve) Fredrick Johnston** (Appointed 19 October 2011)
Title:	Managing Director
Qualifications:	BAppSc(App. Geol.), MAusIMM, SEG
Experience and expertise:	Steve Johnston is a geologist with extensive exploration and mining experience within Australia for commodities including gold, base metals and uranium. He has been employed by Alliance since 2003 in varying capacities including as General Manager and Chief Executive Officer. Between 1993 to 2001 Steve held executive roles with ASX listed Croesus Mining NL then Exco Resources NL. Steve is a Corporate Member of the Australasian Institute of Mining and Metallurgy and a Member of the Society of Economic Geologists Inc.
Other current directorships:	N/A
Former directorships (last 3 years):	N/A
Special responsibilities:	N/A
Interests in shares:	1,411,779 (2017: 1,411,779)
Interests in options:	4,000,000 (2017: 4,000,000)

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

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

Company secretary

Robert (Bob) Tolliday is a Chartered Accountant with over 30 years experience in business including accounting, audit, corporate finance, corporate recovery, treasury, HR, office management and company secretarial. Bob has worked for Gandel Metals Pty Ltd for the past 6 years providing CFO & Company Secretarial Services to a number of listed Mining entities under a management services agreement. Prior to this Bob worked for over 10 years as the Company Secretary / GM Finance & Admin for the Professional Golfers Association of Australia Ltd (PGA), and before that he was a Senior Manager and spent over 13 years working for Chartered Accounting practices KPMG and Pitcher Partners in both Australia and the UK. Bob was also a former director and Company Secretary of Octagonal Resources Ltd.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Mr I Gandel	9	9	1	1	3	3
Mr T Lethlean	9	9	1	1	3	3
Mr S Johnston	9	9	-	-	-	-

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and senior management/executives (Key Management Personnel) remuneration arrangements for the consolidated entity and the company for the financial year ended 30 June 2018, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

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

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

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

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

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity and company depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel. The committee did not engage the services of a remuneration consultant during the year.

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.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing 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
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

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

Non-executive director remuneration

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

ASX listing rules require that the aggregate non-executive director remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 25 November 2009, where the shareholders approved an aggregate remuneration of $400,000.

Executive remuneration

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

The executive remuneration and reward framework has four components:

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

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

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

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

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

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 at the company's 2017 Annual General Meeting ('AGM')

The company received 98.3% of 'for' votes in relation to its remuneration report for the year ended 30 June 2017.
The company did not receive any specific feedback at the AGM regarding its renumeration policies.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

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

- Mr R Tolliday (Chief Financial Officer & Company Secretary)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Termination benefits	
2018	Cash salary and fees $	Consulting Fees $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Termination payments $	Total $
Non-Executive Directors:								
Mr I Gandel	85,000	-	-	8,075	-	-	-	93,075
Mr T Lethlean	80,000	6,000	-	7,600	-	-	-	93,600
Executive Directors:								
Mr S Johnston	271,976	-	-	25,000	2,701	32,404	-	332,081
Other Key Management Personnel:								
Mr R Tolliday*	-	-	-	-	-	7,531	-	7,531
	436,976	6,000	-	40,675	2,701	39,935	-	526,287

* The Gandel Metals Trust employed Mr Tolliday. The Gandel Metals Trust is an entity associated with Mr I Gandel. Included in the fees paid in terms of The Gandel Metals management service agreement to The Gandel Metal Trust are professional fees of $310,200 for accounting and company secretarial services including services provided by Mr Tolliday. All charges were on commercial terms.

			Short-term benefits	Post-employment benefits	Long-term benefits	Share-based payments	Termination benefits	
2017	Cash salary and fees $	Consulting Fees $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Termination payments $	Total $
Non-Executive Directors:								
Mr I Gandel	67,500	-	-	6,412	-	-	-	73,912
Mr T Lethlean	66,750	-	-	5,700	-	-	-	72,450
Executive Directors:								
Mr S Johnston	265,005	-	-	25,175	(3,980)	65,051	-	351,251
Other Key Management Personnel:								
Mr R Tolliday*	-	-	-	-	-	7,078	-	7,078
Mr A Bowden**	11,250	98,800	-	342	-	-	-	110,392
	410,505	98,800	-	37,629	(3,980)	72,129	-	615,083

* The Gandel Metals Trust employed Mr Tolliday. The Gandel Metals Trust is an entity associated with Mr I Gandel. Included in the fees paid in terms of The Gandel Metals management service agreement to The Gandel Metal Trust are professional fees of $280,100 for accounting and company secretarial services including services provided by Mr Tolliday. All charges were on commercial terms.

** Mr Bowden ceased to be a KMP in February 2017.

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2018	2017	2018	2017	2018	2017
Executive Directors:						
Mr S Johnston	90%	81%	-	-	10%	19%
Other Key Management Personnel:						
Mr R Tolliday	-	-	-	-	100%	100%

Service agreements

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

Name:	Mr Steve Johnston
Title:	Managing Director (Effective 19 October 2011)
Agreement commenced:	1 May 2016
Term of agreement:	3 Years
Details:	• Remuneration - $271,005 (excluding Superannuation) this excludes - Benefits of Employment (including Options) and reimbursement of various expenses including parking, memberships & subscriptions and mobile phone charges (capped). • Termination - The contract is capable of termination on standard employment terms, which include 6 months' notice if terminated by the company (without cause) or by Mr Johnston. The Board retains the discretion to make a payment in lieu of notice equal to 3 months salary plus all accrued benefits up to the end of the notice period.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2018.

Options

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

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
30 Nov 2016	30 Nov 2016	31 August 2019	$0.12	$0.028
30 Nov 2016	1 Sept 2017	31 August 2020	$0.16	$0.028
30 Nov 2016	1 Sept 2018	31 August 2021	$0.20	$0.028
30 Nov 2016	1 Sept 2019	31 August 2022	$0.24	$0.028
2 April 2017	2 April 2017	31 March 2020	$0.12	$0.020
2 April 2017	1 April 2018	31 March 2021	$0.16	$0.019
2 April 2017	1 April 2019	31 March 2022	$0.20	$0.019
2 April 2017	1 April 2020	31 March 2023	$0.24	$0.019

Options granted carry no dividend or voting rights.

Executives, staff and approved specialist advisors/contractors who are involved with the business are all entitled to participate in the Employee Share Options Plan (ESOP). As at 30 June 2018 there were 4,000,000 (2017: 4,000,000) unlisted options issued over ordinary shares of Alliance Resources Limited granted to the Managing Director and 2,200,000 (2017: 2,200,000) unlisted options granted to Executives, Staff and Contractors.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Number of options granted during the year 2018	Number of options granted during the year 2017	Number of options vested during the year 2018	Number of options vested during the year 2017
Mr S Johnston	-	4,000,000	1,000,000	1,000,000
Mr R Tolliday	-	1,000,000	250,000	250,000

* 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

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2018 are set out below:

Name	Grant date	Vesting date	Number of options granted	Value of options granted $	Value of options vested $	Number of options lapsed	Value of options lapsed $
S Johnston	30 Nov 2016	30 Nov 2016	-	-	-	-	-
S Johnston	30 Nov 2016	1 Sept 2017	-	-	28,000	-	-
S Johnston	30 Nov 2016	1 Sept 2018	-	-	-	-	-
S Johnston	30 Nov 2016	1 Sept 2019	-	-	-	-	-
R Tolliday	2 April 2017	2 April 2017	-	-	-	-	-
R Tolliday	2 April 2017	1 April 2018	-	-	4,725	-	-
R Tolliday	2 April 2017	1 April 2019	-	-	-	-	-
R Tolliday	2 April 2017	1 April 2020	-	-	-	-	-

Additional information

The earnings of the consolidated entity for the five years to 30 June 2018 are summarised below:

	2018 $'000	2017 $'000	2016 $'000	2015 $'000	2014 $'000
Revenue and other income	150	375	50,316	221	807
EBITDA	(1,260)	(1,133)	47,931	(3,129)	(16,978)
EBIT	(1,273)	(1,150)	47,920	(3,126)	(16,971)

	2018	2017	2016	2015	2014
Share price at financial year end (cents)	9.10	8.80	4.00	8.20	16.00
Basic earnings/(loss) per share (cents per share)	(1.22)	(1.10)	11.61	(0.86)	(4.98)

Additional disclosures relating to key management personnel

Shareholding

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Mr I Gandel	29,957,438	-	-	-	29,957,438
Mr T Lethlean	487,501	-	-	-	487,501
Mr S Johnston	1,411,779	-	-	-	1,411,779
Mr R Tolliday	62,500	-	-	-	62,500
	31,919,218	-	-	-	31,919,218

Option holding

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Mr S Johnston	4,000,000	-	-	-	4,000,000
Mr R Tolliday	1,000,000	-	-	-	1,000,000
	5,000,000	-	-	-	5,000,000

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
30 Nov 2016	31 August 2019	$0.12	1,000,000
30 Nov 2016	31 August 2020	$0.16	1,000,000
30 Nov 2016	31 August 2021	$0.20	1,000,000
30 Nov 2016	31 August 2022	$0.24	1,000,000
2 April 2017	31 March 2020	$0.12	550,000
2 April 2017	31 March 2021	$0.16	550,000
2 April 2017	31 March 2022	$0.20	550,000
2 April 2017	31 March 2023	$0.24	550,000
			6,200,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Alliance Resources Limited issued on the exercise of options during the year ended 30 June 2018.

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 the liability and the amount of the premium.

Corporate governance statement

In recognising the need for the highest standard of corporate behaviour and accountability, the Directors of Alliance support the principle of good corporate governance. As such, Alliance Resources Limited have adopted the third edition of the Corporate Governance Principles and Recommendations which was released by the ASX Corporate Governance Council on 27 March 2014 and became effective for financial years beginning on or after 1 July 2014.

The consolidated entity's annual Corporate Governance Statement has been published and released to ASX separately. The Corporate Governance Statement is available on the Alliance website at http://www.allianceresources.com.au/site/corporate/corporate-governance.

Indemnity and insurance of auditor

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

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

Risk management

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

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

There are no officers of the company who are former 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 immediately after this Directors' report.

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.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars (apparent differences may occur due to rounding), or in certain cases, the nearest dollar.

On behalf of the directors

Ian Gandel

Ian Gandel
Chairman

27 September 2018
Melbourne

Auditor’s independence declaration

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DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF ALLIANCE RESOURCES LIMITED

As lead auditor of Alliance Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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

James Mooney
Partner

BDO East Coast Partnership

Melbourne, 27 September 2018

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue	4	150	375
Expenses			
Depreciation expense	5	(13)	(16)
Expense of share options granted		(49)	(81)
Tenement costs abandoned		(85)	(230)
Occupancy expenses		(25)	(34)
Administration expenses		(924)	(964)
Legal expenses		(5)	(69)
Director fees		(165)	(138)
Company secretarial		(58)	(115)
Marketing expenses		(99)	(20)
Loss before income tax expense		(1,273)	(1,292)
Income tax expense	6	-	-
Loss after income tax expense for the year		(1,273)	(1,292)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Change in fair value of equity instruments at FVOCI	9	(250)	(1,393)
Other comprehensive income for the year, net of tax		(250)	(1,393)
Total comprehensive income for the year		(1,523)	(2,685)
Loss for the year is attributable to:			
Owners of Alliance Resources Limited	16	(1,273)	(1,150)
Non-controlling interest		-	(142)
		(1,273)	(1,292)
Total comprehensive income for the year is attributable to:			
Owners of Alliance Resources Limited		(1,523)	(2,543)
Non-controlling interest		-	(142)
		(1,523)	(2,685)
		Cents	**Cents**
Basic loss per share	29	(1.22)	(1.10)
Diluted loss per share	29	(1.22)	(1.10)

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

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Assets			
Current assets			
Cash and cash equivalents	7	5,408	9,497
Trade and other receivables	8	120	238
Other assets		77	17
Total current assets		5,605	9,752
Non-current assets			
Other receivables		-	20
Financial assets at fair value through other comprehensive income	9	1,250	1,500
Property, plant and equipment		56	13
Exploration and evaluation	10	6,942	4,148
Total non-current assets		8,248	5,681
Total assets		13,853	15,433
Liabilities			
Current liabilities			
Trade and other payables	11	331	445
Employee benefits	12	21	24
Total current liabilities		352	469
Non-current liabilities			
Employee benefits	13	80	74
Total non-current liabilities		80	74
Total liabilities		432	543
Net assets		13,421	14,890
Equity			
Contributed equity	14	47,498	47,495
Reserves	15	(1,577)	(1,376)
Accumulated losses	16	(33,404)	(32,131)
Equity attributable to the owners of Alliance Resources Limited		12,517	13,988
Non-controlling interest	17	904	902
Total equity		13,421	14,890

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

Statement of changes in equity

For the year ended 30 June 2018

Consolidated	Contributed Equity $'000	Non-controlling Interest $'000	Accumulated Losses $'000	Reserves $'000	Total equity $'000
Balance at 1 July 2016	55,841	-	(30,981)	(64)	24,796
Loss after income tax expense for the year	-	(142)	(1,150)	-	(1,292)
Other comprehensive income for the year, net of tax	-	-	-	(1,393)	(1,393)
Total comprehensive income for the year	-	(142)	(1,150)	(1,393)	(2,685)
Transactions with owners in their capacity as owners:					
Share-based payments (note 30)	-	-	-	81	81
Capital return, including transaction costs	(8,348)	-	-	-	(8,348)
Joint venturers' interest received	2	2	-	-	4
Non-controlling interest	-	1,042	-	-	1,042
Balance at 30 June 2017	47,495	902	(32,131)	(1,376)	14,890

Consolidated	Contributed Equity $'000	Non-controlling Interest $'000	Accumulated Losses $'000	Reserves $'000	Total equity $'000
Balance at 1 July 2017	47,495	902	(32,131)	(1,376)	14,890
Loss after income tax expense for the year	-	-	(1,273)	-	(1,273)
Other comprehensive income for the year, net of tax	-	-	-	(250)	(250)
Total comprehensive income for the year	-	-	(1,273)	(250)	(1,523)
Transactions with owners in their capacity as owners:					
Share-based payments (note 30)	-	-	-	49	49
Joint venturers' interest received	3	2	-	-	5
Balance at 30 June 2018	47,498	904	(33,404)	(1,577)	13,421

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

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		-	145
Payments to suppliers and employees (inclusive of GST)		(1,371)	(1,402)
		(1,371)	(1,257)
Interest received		144	356
Net cash used in operating activities	28	(1,227)	(901)
Cash flows from investing activities			
Payments for investments		-	(2,704)
Payments for new joint venture capital invested		-	(2,049)
Payments for property, plant and equipment		(56)	-
Payments for exploration and evaluation		(346)	(1,134)
Payments for security deposits		20	(20)
Contributions to Wilcherry Project exploration and evaluation		(2,602)	(963)
Proceeds from JV interest		3	-
Contributions from JV partner		117	927
Interest earned by JV partner		2	2
Net cash used in investing activities		(2,862)	(5,941)
Cash flows from financing activities			
Capital return	14	-	(8,343)
Capital return transaction costs		-	(5)
Net cash used in financing activities		-	(8,348)
Net decrease in cash and cash equivalents		(4,089)	(15,190)
Cash and cash equivalents at the beginning of the financial year		9,497	24,687
Cash and cash equivalents at the end of the financial year	7	5,408	9,497

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

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

New or amended Accounting Standards and Interpretations adopted

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

New and amended standards

During the financial year ended 30 June 2017 the consolidated entity early adopted AASB 9 Financial Instruments as it provided more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 25.

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 2018 and the results of all subsidiaries for the year then ended. Alliance Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollar (apparent differences may occur due to rounding), or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2018. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The consolidated entity will adopt this standard from 1 July 2018 however, its impact is minimal as the group is an exploration entity with no revenue contracts with external customers.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The consolidated entity will adopt this standard from 1 July 2019 but has currently assessed the impact of its adoption to be minimal as there are currently no operating lease transactions that the entity is involved in.

NOTE 2. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

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

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

Income tax

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

NOTE 3. OPERATING SEGMENTS

Identification of reportable operating segments

The consolidated entity operates in the mineral exploration and mining industry in Australia.

The consolidated entity has adopted AASB 8 Operating Segments whereby segment information is presented using a 'management approach'. Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The consolidated entity operates predominately in one geographical location. The consolidated entity does not have any operating segments with discrete financial information. The consolidated entity does not have any customers, and all the consolidated entity's assets and liabilities are located within Australia.

The Board of Directors review internal management reports on a monthly basis that is consistent with the information provided in the statement of profit or loss and other comprehensive income, statement of financial position and statement of cashflows. As a result no reconciliation is required because the information as presented is what is used by the Board of Directors to make strategic decisions including assessing performance and in determining the allocation of resources.

Accounting policy for 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.

	Consolidated 2018 $'000	Consolidated 2017 $'000

NOTE 4. REVENUE

	Consolidated 2018 $'000	Consolidated 2017 $'000
Other revenue	-	9
Interest	150	366
Revenue	150	375

Accounting policy for 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).

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.

NOTE 5. EXPENSES

Loss before income tax includes the following specific expenses:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Depreciation		
Plant and equipment	13	16
Superannuation expense		
Defined contribution superannuation expense	41	38
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	307	263

NOTE 6. INCOME TAX

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

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

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

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

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

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

Tax Consolidation

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

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
The components of Income tax expense/(benefit) comprise:		
Current income tax benefit	(1,145)	(560)
Adjustments in respect of previous years	22	(11)
Deferred tax relating to origination and reversal of temporary differences	808	314
Deferred tax assets not brought to account	315	257
Income tax expense/(benefit)	-	-
Numerical reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Loss before income tax expense (excluding non-controlling interest)	(1,273)	(1,150)
Tax at the statutory tax rate of 27.5% (2017: 27.5%)	(350)	(316)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible Chilean expenses	-	48
Share-based payment expense	13	22
	(337)	(246)
Adjustments in respect of prior years	22	(11)
Deferred tax assets not brought to account	315	257
Income tax expense/(benefit)	-	-
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	31,880	27,599
Potential tax benefit @ 27.5%	8,767	7,590

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 and liabilities not recognised

Deferred tax liabilities comprises:		
Exploration and evaluation	(1,102)	(352)
Accrued income	(2)	(3)
Total deferred tax liabilities	(1,104)	(355)
Deferred tax assets comprises:		
Provisions and accruals	51	39
Equity raising costs	17	31
Tax losses	8,767	7,590
Total deferred tax assets	8,835	7,660

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
NOTE 7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank	2,333	1,270
Cash on deposit	3,075	8,227
	5,408	9,497

Accounting policy for 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.

NOTE 8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

Trade receivables	1	118
Other receivables	1	2
	2	120
Accrued revenue	6	10
GST receivable	112	108
	120	238

Accounting policy for trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Accounting policy for 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.

	Consolidated 2018 $'000	Consolidated 2017 $'000

NOTE 9. NON-CURRENT ASSETS - FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Consolidated 2018 $'000	Consolidated 2017 $'000
Ordinary shares - listed securities	3,984	3,984
Revaluation of investments to fair value	(2,734)	(2,484)
	1,250	1,500

Reconciliation

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
Opening fair value	1,500	189
Additions - Investment in Centennial Mining Ltd (formerly A1 Gold)	-	53
Additions - Investment in Tyranna Resources Ltd	-	2,651
Movement in fair value	(250)	(1,393)
Closing fair value	1,250	1,500

Refer to note 20 for further information on fair value measurement.

Note: The ordinary shares are listed equity securities in SciDev Ltd (ASX Code: SDV) (formerly known as Intec Limited), Tyranna Resources Ltd (ASX Code: TYX) and Centennial Mining Ltd (ASX Code: CTL) (formerly known as A1 Consolidated Gold Limited). The SDV shares were acquired on sale of investment in Encore Pty Ltd on 23 October 2006. The CTL shares were obtained on the delisting of Octagonal Resources Ltd ('Octagonal') on 23 February 2016, at which time Alliance received CTL shares and cash as consideration for the disposal of its Octagonal shares, and also obtained pursuant to a rights issue in August 2016. The TYX shares were purchased in September and October 2016 via on-market purchases and also an off-market purchase. Shares in TYX, SDV and CTL 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.

Accounting policy for financial assets at fair value through other comprehensive income

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

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

Equity instruments

The consolidated entity subsequently measures all equity investments at fair value. Where management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the company's right to receive payments is established.

	Consolidated 2018 $'000	Consolidated 2017 $'000
NOTE 10. NON-CURRENT ASSETS - EXPLORATION AND EVALUATION		
Exploration and evaluation costs carried forward - WA	519	199
Exploration and evaluation costs carried forward - NSW	-	72
Exploration and evaluation costs carried forward - ACE	14	-
Exploration and evaluation costs carried forward - Wilcherry Project	6,409	3,877
	6,942	4,148

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 $'000
Balance at 30 June 2016	69
Additions (1)	2,049
Expenditure during the year	2,260
Tenement costs abandoned	(230)
Balance at 30 June 2017	4,148
Expenditure during the year	2,879
Tenement costs abandoned	(85)
Balance at 30 June 2018	6,942

Notes: 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.

(1) In October 2016 Alliance's wholly owned subsidiary, Alliance Craton Explorer Pty Ltd ('ACE'), acquired 51% equity in the Wilcherry Project Joint Venture ('Wilcherry Project') in the mineral rich Gawler Craton, South Australia from Trafford Resources Pty Ltd ('Trafford'), a wholly owned subsidiary of Tyranna Resources Limited ('Tyranna') (ASX Code: TYX) for $2 million. The Wilcherry Project area is located within the southern part of the Gawler Craton in the northern Eyre Peninsula and currently comprises seven exploration licences covering 1,200 km^2.

Both ACE and Trafford are to contribute to expenditure in accordance with their percent equity in the Wilcherry Project, or dilute using a standard dilution formula. Trafford elected not to contribute to the FY2018 Programme and Budget and accordingly ACE, as the sole contributor, increased its interest from 51% to 75.01% as at 30 June 2018.

As ACE holds a controlling interest, the consolidated entity has consolidated the assets, liabilities, income and expenses of the Wilcherry Project on a line by line basis into its financial statements and accounted for Trafford's minority interest through equity in the Statement of Financial Position.

ACE's direct investment in the Wilcherry Project, representing the purchase price paid $2m and stamp duty of $48,830 on transfer of its tenement interests is included in the above table.

Accounting policy for exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

	Consolidated 2018 $'000	Consolidated 2017 $'000

NOTE 11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables	229	369
Accrued expenses	91	65
PAYG payable	11	11
	331	445

Refer to note 19 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTE 12. CURRENT LIABILITIES - EMPLOYEE BENEFITS

Employee entitlements	21	24

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Defined contribution superannuation expense

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

NOTE 13. NON-CURRENT LIABILITIES - EMPLOYEE BENEFITS

Employee entitlements	80	74

Accounting policy for other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Consolidated	2018 Shares	2017 Shares	2018 $'000	2017 $'000

NOTE 14. EQUITY - CONTRIBUTED EQUITY

Ordinary shares - fully paid	104,293,923	104,293,923	47,498	47,495

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2016	417,173,773		55,841
Capital return of $0.02 per share	30 November 2016	-	$0.02	(8,348)
1 for 4 Share consolidation	5 December 2016	(312,879,850)	$0.00	-
Joint Venturers' interest share	30 June 2017	-	$0.00	2
Balance	30 June 2017	104,293,923		47,495
Joint Venturers' interest share	30 June 2018	-	$0.00	3
Balance	30 June 2018	104,293,923		47,498

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

Share buy-back

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

Capital risk management

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

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

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 subject to any financing arrangement covenants.

The capital risk management policy remains unchanged from the 30 June 2017 Annual Report.

Accounting policy for issued capital

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.

	Consolidated 2018 $'000	Consolidated 2017 $'000
NOTE 15. EQUITY - RESERVES		
FVOCI reserve	(1,707)	(1,457)
Share-based payments reserve	130	81
	(1,577)	(1,376)

FVOCI reserve
The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

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

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments reserve* $'000	FVOCI reserve** $'000	Total $'000
Balance at 30 June 2016	-	(64)	(64)
Revaluation - gross	-	(1,393)	(1,393)
Cost of share options issued	81	-	81
Balance at 30 June 2017	81	(1,457)	(1,376)
Revaluation - gross	-	(250)	(250)
Cost of share options issued	49	-	49
Balance at 30 June 2018	130	(1,707)	(1,577)

* The share-based payments reserve is used to recognise the fair value of options issued to directors and employees.
** The FVOCI reserve is used to recognise the increase and decrease in fair value of the equity investments.

	Consolidated 2018 $'000	Consolidated 2017 $'000
NOTE 16. EQUITY - ACCUMULATED LOSSES		
Accumulated losses at the beginning of the financial year	(32,131)	(30,981)
Loss after income tax expense for the year	(1,273)	(1,150)
Accumulated losses at the end of the financial year	(33,404)	(32,131)

NOTE 17. EQUITY - NON-CONTROLLING INTEREST

As detailed in note 10 ACE, as at 30 June 2018 has a 75.01% equity interest in the Wilcherry Project, with Trafford holding a 24.99% interest. As ACE has deemed control the consolidated entity has accordingly consolidated in full the Wilcherry Project assets and liabilities, plus income and expenses, with the interest of Trafford being represented in the financial accounts as a non-controlling interest.

The movement in Trafford's non-controlling interest during the 12 months ending 30 June 2018 is shown below and is represented by contributed equity, joint venturers' interest received and adjusted for its share of administrative expenses during the period however, as Trafford elected not to contribute to the FY2018 Programme and Budget there were no changes to their contributed equity. The majority of costs incurred by the Joint Venture were capitalised into exploration and evaluation in the Statement of financial position.

	Consolidated 2018 $'000	Consolidated 2017 $'000
Contributed equity – cash calls	1,042	1,042
Joint venturers' interest received	4	2
Accumulated losses	(142)	(142)
	904	902

NOTE 18. EQUITY - DIVIDENDS

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

NOTE 19. FINANCIAL INSTRUMENTS

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

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

Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the group's functional currency. The group currently operates in Australia only, thus at present it has minimal foreign exchange exposure. The group will potentially have greater exposure in the future as most commodities the group explores for are traded in US Dollars.

Interest rate risk

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

At 30 June 2018 the group had the following cash instruments exposed to interest rate risk - Cash and cash equivalents totalling $5,407,960 (2017: $9,497,009).

The sensitivity of the fair value of financial instruments held at balance date, following a movement in interest rates, with all other variables held constant. A 1% interest rate change sensitivity is based on reasonably possible changes over a financial year. The post tax gain or loss and effect on equity assuming a 1% interest rate change is $54,080 (2017: $94,970).

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

Consolidated	Weighted average interest rate %	2018 Balance $'000	Weighted average interest rate %	2017 Balance $'000
Cash and cash equivalents	2.01%	5,408	2.15%	9,497
Net exposure to cash flow interest rate risk		5,408		9,497

Price risk

The group is exposed to equity securities price risk. This arises from investments at fair value through other comprehensive income. 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 basis points higher or lower with all other variables held constant as a sensitivity analysis.

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

	Impact of basis points increase		Impact of basis points decrease	
	Basis points change -%	Effect on equity	Basis points change - %	Effect on equity
Consolidated - 2018				
Financial assets - CTL	25	25,117	(25)	(25,117)
Financial assets - SDV	25	1,909	(25)	(1,909)
Financial assets - TYX	25	285,575	(25)	(285,575)
		312,601		(312,601)
Consolidated - 2017				
Financial assets - CTL	25	50,600	(25)	(50,600)
Financial assets - SDV	25	3,102	(25)	(3,102)
Financial assets - TYX	25	321,272	(25)	(321,272)
		374,974		(374,974)

Credit risk

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

Liquidity risk

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

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

Financing arrangements

No financing facilities are currently in place.

Hedging

No hedging is currently in place.

Remaining contractual maturities

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

	Weighted average interest rate %	1 year or less $'000	Between 1 & 2 years $'000	Between 2 & 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Consolidated - 2018						
Non-derivatives						
Non-interest bearing						
Trade payables	-	229	-	-	-	229
Accrued expenses	-	91	-	-	-	91
PAYG Payable	-	11	-	-	-	11
Total non-derivatives		331	-	-	-	331
Consolidated - 2017						
Non-derivatives						
Non-interest bearing						
Trade payables	-	369	-	-	-	369
Accrued expenses	-	65	-	-	-	65
PAYG Payable	-	10	-	-	-	10
Total non-derivatives		444	-	-	-	444

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

Fair value of financial instruments

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

NOTE 20. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated - 2018				
Assets				
Ordinary shares	1,250	-	-	1,250
Total assets	1,250	-	-	1,250
Consolidated - 2017				
Assets				
Ordinary shares	1,500	-	-	1,500
Total assets	1,500	-	-	1,500

There were no transfers between levels during the financial year.

Accounting policy for fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

NOTE 21. KEY MANAGEMENT PERSONNEL DISCLOSURES

Directors

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

Chairman - Non-executive and Non-independent
Mr I Gandel
Executive Director
Mr S Johnston
Non-executive Director
Mr T Lethlean

Other key management personnel

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

Name	*Position*
Mr S Johnston	Managing Director
Mr R Tolliday	Chief Financial Officer & Company Secretary

Compensation

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
Short-term employee benefits	442,976	509,305
Post-employment benefits	40,675	37,629
Long-term benefits	2,701	(3,980)
Share-based payments	39,935	72,129
	526,287	615,083

NOTE 22. REMUNERATION OF AUDITORS

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

Audit services - BDO East Coast Partnership		
Audit or review of the financial statements	46,935	44,660
Other services - BDO East Coast Partnership		
Preparation of the tax return	12,800	13,000
Taxation compliance incl. ATO class ruling re Capital Distribution	-	37,206
Employment matters incl. re employee share options plan	1,192	12,341
Auditing the Wilcherry Project JV special purpose financial report	12,900	12,688
	26,892	75,235
	73,827	119,895

NOTE 23. COMMITMENTS

Exploration commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,776	1,623
One to five years	1,403	2,670
	3,179	4,293

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 5 years for all States that the group operates in.

NOTE 24. RELATED PARTY TRANSACTIONS

Parent entity

Alliance Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 26.

Interests in joint ventures are set out in note 27.

Key management personnel

Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

NOTE 25. PARENT ENTITY INFORMATION

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

	Consolidated 2018 $'000	Consolidated 2017 $'000
Statement of profit or loss and other comprehensive income		
Loss after income tax	(1,283)	(1,157)
Total comprehensive income	(1,283)	(1,157)
Statement of financial position		
Total current assets	5,138	9,254
Total assets	12,601	14,097
Total current liabilities	91	108
Total liabilities	171	182
Equity		
Contributed equity	47,493	47,493
FVOCI reserve	(1,706)	(1,456)
Share-based payments reserve	130	81
Accumulated losses	(33,487)	(32,203)
Total equity	12,430	13,915

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 other than Alliance (NSW) Pty Ltd for which a deed of cross guarantee exists. Alliance (NSW) trade creditors at 30 June 2018 amounted to $Nil (2017: $Nil).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 (2017: $Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2018 (2017: $Nil).

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

NOTE 26. INTERESTS IN SUBSIDIARIES

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

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	2017%
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%

NOTE 27. INTERESTS IN WILCHERRY PROJECT

Interests in joint ventures were accounted for using the consolidation method as the consolidated entity holds a controlling interest. Information relating to joint ventures that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	2017%
Wilcherry Project	Exploration - South Australia	75.01%	51.00%

As detailed in note 10, ACE acquired 51% equity in 2016 in the Wilcherry Project from Trafford, a wholly owned subsidiary of Tyranna, for $2 million.

Both ACE and Trafford are to contribute to expenditure in accordance with their percentage equity in the Wilcherry Project, or dilute using a standard dilution formula. Trafford elected not to contribute to the FY2018 Programme and Budget and accordingly ACE, as the sole contributor, increased its interest from 51% to 75.01% as at 30 June 2018.

As ACE holds a controlling interest the consolidated entity has consolidated the assets, liabilities, income and expenses of the Wilcherry Project on a line by line basis into its financial statements and accounted for Trafford's minority interest through equity in the Statement of Financial Position.

Subsequent to balance date a new Wilcherry Project FY2019 Programme & Budget (FY2019 P&B) totalling $3,235,302 was approved by the Management Committee on 9 July 2018. Trafford subsequently confirmed it would not be contributing to the FY2019 P&B and thus will be diluting its interest in the joint venture. ACE has elected to make up Trafford's contribution shortfall thereby increasing ACE's interest from 75.01% to an estimated 83.64% by the end of the FY2019 P&B.

Wilcherry Project	2018 $'000	2017 $'000
Summarised financial information		
Summarised statement of financial position		
Cash and cash equivalents	169	73
Other current assets	224	344
Exploration and evaluation	4,382	1,837
Motor vehicle	56	-
Total assets	4,831	2,254
Other current liabilities	385	414
Total liabilities	385	414
Net assets	4,446	1,840
Summarised statement of profit or loss and other comprehensive income		
Management fee	(392)	(278)
Audit fee	(13)	(13)
Loss before income tax	(405)	(291)
Other comprehensive income	-	-
Total comprehensive income	(405)	(291)
Statement of cash flows		
Net cash used in operating activities	(405)	(290)
Net cash used in investing activities	(2,510)	(1,767)
Net cash from financing activities	3,011	2,130
Net increase in cash and cash equivalents	96	73
Other financial information		
Loss attributable to non-controlling interests	-	(142)
Accumulated non-controlling interests at the end of the reporting period	904	902

Accounting for the Wilcherry Project Joint Venture

The group's interest in the Wilcherry Project has been consolidated up to 30 June 2018 in accordance with Accounting Standard AASB 10 Consolidated Financial Statements as the consolidated entity has been deemed to have control over the Wilcherry Project due to its majority interest and due to the fact that its subsidiary, ACE, is the appointed manager. The financial statements of the Wilcherry Project have been audited by BDO who issued an unmodified audit opinion.

Commitments

	Consolidated 2018 $'000	Consolidated 2017 $'000
Committed at the reporting date but not recognised as liabilities, payable:		
Exploration - Within one year	1,611	1,206
Exploration - One to five years	1,156	1,277
	2,767	2,483

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 5 years for South Australia, thereafter they require renewal.

	Consolidated 2018 $'000	Consolidated 2017 $'000
NOTE 28. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES		
Loss after income tax expense for the year	(1,273)	(1,150)
Adjustments for:		
Depreciation	13	16
Share-based payments	49	81
Tenement costs abandoned	85	230
Minority interest P&L contributions	-	(142)
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	-	(78)
(Increase)/decrease in prepayments	10	(17)
Increase/(decrease) in trade and other payables	(114)	170
Increase/(decrease) in employee benefits	3	(11)
Net cash used in operating activities	(1,227)	(901)

NOTE 29. LOSS PER SHARE

	Consolidated 2018 $'000	Consolidated 2017 $'000
Loss after income tax	(1,273)	(1,292)
Non-controlling interest	-	142
Loss after income tax attributable to the owners of Alliance Resources Limited	(1,273)	(1,150)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic loss per share	104,293,923	104,293,719
Weighted average number of ordinary shares used in calculating diluted loss per share	104,293,923	104,293,719
	Cents	**Cents**
Basic loss per share	(1.22)	(1.10)
Diluted loss per share	(1.22)	(1.10)

Accounting policy for loss per share

Basic loss per share

Basic loss per share is calculated by dividing the loss 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 loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss 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. As the company has incurred a loss per AASB133 no adjustments have been made regarding the granted options as a reduction of the loss would be anti-dilutive.

NOTE 30. SHARE-BASED PAYMENTS

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

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

2018 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
30/11/2016*	31/08/2019	$0.12	1,000,000	-	-	-	1,000,000
30/11/2016**	31/08/2020	$0.16	1,000,000	-	-	-	1,000,000
30/11/2016***	31/08/2021	$0.20	1,000,000	-	-	-	1,000,000
30/11/2016****	31/08/2022	$0.24	1,000,000	-	-	-	1,000,000
02/04/2017	31/03/2020	$0.12	550,000	-	-	-	550,000
02/04/2017	31/03/2021	$0.16	550,000	-	-	-	550,000
02/04/2017	31/03/2022	$0.20	550,000	-	-	-	550,000
02/04/2017	31/03/2023	$0.24	550,000	-	-	-	550,000
			6,200,000	-	-	-	6,200,000

* Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.12, vesting on issue. Expiry 31 August 2019
** Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.16, vesting on 1 Sept 2017. Expiry 31 August 2020
*** Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.20, vesting on 1 Sept 2018. Expiry 31 August 2021
**** Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.24, vesting on 1 Sept 2019. Expiry 31 August 2022

2017 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
30/11/2016*	31/08/2019	$0.12	-	1,000,000	-	-	1,000,000
30/11/2016**	31/08/2020	$0.16	-	1,000,000	-	-	1,000,000
30/11/2016***	31/08/2021	$0.20	-	1,000,000	-	-	1,000,000
30/11/2016****	31/08/2022	$0.24	-	1,000,000	-	-	1,000,000
02/04/2017	31/03/2020	$0.12	-	550,000	-	-	550,000
02/04/2017	31/03/2021	$0.16	-	550,000	-	-	550,000
02/04/2017	31/03/2022	$0.20	-	550,000	-	-	550,000
02/04/2017	31/03/2023	$0.24	-	550,000	-	-	550,000
			-	6,200,000	-	-	6,200,000

* Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.12, vesting on issue. Expiry 31 August 2019
** Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.16, vesting on 1 Sept 2017. Expiry 31 August 2020
*** Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.20, vesting on 1 Sept 2018. Expiry 31 August 2021
**** Unlisted options issued to the Managing Director, Mr S Johnston, exercisable at $0.24, vesting on 1 Sept 2019. Expiry 31 August 2022

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

Grant and exercisable date	Expiry date	2018 Number	2017 Number
30/11/2016	31/08/2019	1,000,000	1,000,000
02/04/2017	31/03/2020	550,000	550,000
01/09/2017	31/08/2020	1,000,000	-
01/04/2018	31/03/2021	550,000	-
		3,100,000	1,550,000

Accounting policy for share-based payments

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

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

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

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

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

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

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

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

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

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

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

NOTE 31. UNLISTED SHARE OPTIONS (EXCLUDING EMPLOYEE OPTIONS GRANTED PER ESOP)

No activity has occurred during the current financial year other than those options issued pursuant to the ESOP (refer note 30).

NOTE 32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to balance date a new Wilcherry Project FY2019 Programme & Budget (FY2019 P&B) totalling $3,235,302 was approved by the Management Committee on 9 July 2018. Trafford subsequently confirmed it would not be contributing to the FY2019 P&B and thus will be diluting its interest in the joint venture. ACE has elected to make up Trafford's contribution shortfall thereby increasing ACE's interest from 75.01% to an estimated 83.64% by the end of the FY2019 P&B.

On 6 September 2018 Alliance announced a maiden Mineral Resource of 1.097 Mt @ 5.1 g/t gold for 181,000 oz gold, classified as Indicated and Inferred in accordance with the JORC Code, at the Weednanna deposit, part of the Wilcherry Project.

No other matter or circumstance has arisen since 30 June 2018 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.

Directors' declaration

30 June 2018

In the directors' opinion:

- the attached financial statements and notes 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 comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Ian Gandel

Ian Gandel
Chairman

27 September 2018
Melbourne

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INDEPENDENT AUDITOR'S REPORT

To the members of Alliance Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Alliance Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

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

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

BDO

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of exploration and evaluation expenditures

Key audit matter	***How the matter was addressed in our audit***
The company has incurred significant exploration and evaluation expenditures which have been capitalised. As the carrying value of exploration and evaluation expenditures represents a significant asset of the company, we considered it necessary to assess whether facts and circumstances existed to suggest that the carrying amount of this asset may exceed its recoverable amount. AASB 6 *Exploration for and Evaluation of Mineral Resources* contains detailed requirements with respect to both the initial recognition of such assets and ongoing requirements to continue to carry forward the assets. Note 10 to the financial statements contains the accounting policy and disclosures in relation to exploration and evaluation expenditures.	Our audit procedures included, amongst others: • Obtaining evidence that the company has valid rights to explore in the areas represented by the capitalised exploration and evaluation expenditures by obtaining independent searches; • Confirming whether the rights to tenure of the areas of interest remained current at reporting date as well as confirming that rights to tenure are expected to be renewed for tenements that will expire in the near future; • Agreeing a sample of the additions to capitalised exploration expenditure during the year to supporting documentation, and ensuring that the amounts were permissible and capitalised correctly; • Reviewing the directors' assessment of the carrying value of the exploration and evaluation costs, ensuring that management have considered the effect of potential impairment indicators, commodity prices and the stage of the Group's project also against the standard of AASB 6; • Reviewing public (ASX) announcements and reviewing minutes of directors' meetings to ensure that the company had not decided to discontinue activities in any of its areas of interest.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 15 of the directors' report for the year ended 30 June 2018.

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

BDO

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

James Mooney
Partner

Melbourne, 27 September 2018

The shareholder information set out below was applicable as at 11 September 2018.

Ordinary shares

104,293,923 fully paid ordinary shares are held by 2,106 shareholders.

Distribution of equitable securities

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

Range of units as of 11 September 2018	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	417	-
1,001 to 5,000	652	-
5,001 to 10,000	391	-
10,001 to 100,000	525	-
100,001 and over	121	4
	2,106	4
Holding less than a marketable parcel	1,070	-

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

Name	Ordinary shares Number held	Ordinary shares % of total shares issued
ABBOTSLEIGH PROPRIETARY LIMITED	26,547,438	25.45
JP MORGAN NOMINEES AUSTRALIA LIMITED	9,654,748	9.26
ONE MANAGED INVT FUNDS LTD (SANDON CAPITAL INV LTD A/C)	3,831,147	3.67
ABBOTSLEIGH PROPRIETARY LIMITED (THE ABBOTSLEIGH S/F A/C)	3,410,000	3.27
NATIONAL NOMINEES LIMITED (for SANDON CAPITAL ACTIVIST FUND)	3,043,115	2.92
HOME IDEAS SHOW PTY LTD (UB PROMOTIONS SPF A/C)	2,195,341	2.10
JETOSEA PTY LTD	1,517,689	1.46
MR ADAM LEONARD GOULDING + MRS RENEE LOUISE GOULDING (RACE SUPERFUND A/C)	1,325,347	1.27
MS CATHERINE PATRICIA BURROW + MR KEITH LAWRENCE BURROW (KL&CP BURROW SUPER FUND A/C)	1,100,000	1.05
MR PETER LEMMEN + MRS SUZANNE LEMMEN (SOPLAX SUPER FUND A/C)	1,052,500	1.01
MR YURI ALEXANDER ZYLEWICZ	1,000,000	0.96
MINLINK PTY LTD (STEPHEN JOHNSTON S/FUND A/C)	903,184	0.87
BOND STREET CUSTODIANS LIMITED (MISS1 - V04137 A/C)	725,728	0.70
TOLTEC HOLDINGS PTY LTD	699,229	0.67
MR PETER LEMMEN (CRENTIN P/L A/C)	667,500	0.64
GUTHRIE CAD/GIS SOFTWARE PTY LTD	571,384	0.55
MR RICHARD BATRACHENKO + MRS JACQUELINE BATRACHENKO (BATRACHENKO SUPERFUND A/C)	555,544	0.53
TIMOTHY JOSEPH DE GOLDI	530,000	0.51
CITICORP NOMINEES PTY LIMITED	528,624	0.51
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	517,834	0.50
	60,376,352	57.90

Employee Share Option Plan (ESOP)

	ordinary shares	Options over ordinary shares % of total options
SF JOHNSTON	4,000,000	64.51
RP TOLLIDAY	1,000,000	16.13
AR GRAY	1,000,000	16.13
DM GEBERT	200,000	3.23
	6,200,000	100.00

Substantial holders

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
Abbotsleigh Proprietary Limited (incl. Abbotsleigh Superannuation Fund)	29,957,438	28.72
Phoenix Portfolios Pty Ltd - nominee entities (1) J P Morgan Nominees Australia Limited and (2) National Nominees Limited	5,694,555	5.46

Voting rights

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

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

There are no other classes of equity securities.


TGS 41.480
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