



ANNUAL REPORT 2010

CORPORATE DIRECTORY

Directors

Mr Peter Harold	Non-Executive Chairman
Mr Peter Hepburn-Brown	Managing Director
Dr Jayson Meyers	Non-Executive Director
Mr Kevin Hart	Non-Executive Director

Company Secretary

Mr Kevin Hart

Principal and Registered Office

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

Auditor

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

Share Registry

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

Stock Exchange Listing

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

ASX Code

AYR – Ordinary shares

CONTENTS

	Page
Chairman's Letter to Shareholders	1
Review of Operations	2
Schedule of Tenements	13
Corporate Governance Statement	14
Directors' Report	20
Auditor's Independence Declaration	27
Consolidated Statement of Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flow	31
Notes to the Consolidated Financial Statements	32
Directors' Declaration	57
Independent Auditor's Report	58
ASX Additional Information	60

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

During the past year Alloy has gone through a rebuilding phase in terms of raising new capital and expanding our exploration portfolio. We are now well funded and control a broader portfolio of tenements in Australia and New Zealand, covering a diverse range of commodities.

Gold exploration remains a key focus of the Company and this year's exploration activities at Horse Well included aircore and follow-up RC drilling at Mustang, Palomino and Filly Central. The highlight of the air-core drilling was the discovery of the Mustang Prospect, east of Palomino. The follow up RC drilling at Palomino showed that gold mineralisation continues at depth and extended the ore zones 200m to the north, while the drilling at Filly (1.4km south of Palomino) discovered a high grade shoot at Filly Central. In addition, a small rock chip sampling program on the tenements to the east of Horse Well, on western portion of the Shoemaker Meteor Impact Zone, discovered iron ore and manganese. This will be followed up in the coming year. The tenements around Horse Well in Western Australia have been granted, expect for one which is pending.

The tenements in New Zealand over the Barrytown Mineral Sands Project were granted during the year and Alloy assessed the historical exploration and mining feasibility data, and commissioned TZ Minerals International Pty Ltd to do a Scoping Study on the project, which was completed in June. The study showed sensitivity to the titanium market and recommended further test work be undertaken on the possibility of improving recovery of by-products, namely ilmenite and gold, which could enhance the project economics. In order to progress the Barrytown Project Alloy is seeking a joint venture partner who can bring mineral sands expertise to the project.

Alloy's Cootamundra tenements were granted during the year and preliminary exploration work commenced in September 2010. Alloy's tenements are prospective for manganese, iron, chromite, base metals and gold. Historic manganese deposits are hosted on Alloy's northern tenement, last mined in the 1950's. Alloy plans to utilise modern exploration techniques to explore for new gold, manganese and base metal deposits.

To ensure we had sufficient working capital for the year ahead Alloy conducted a successful capital raising in March which raised \$1.33 million before expenses. At the end of June 2010, the Company had approximately \$1.62 million in cash.

With our Horse Well Project, the addition of the Cootamundra Project and a stronger balance sheet, Alloy heads into 2011 in a good position to expand its resources and we look forward to a successful year. We remain on the lookout for new projects and continue to assess new opportunities as they are brought to our attention.

In closing I would like to take the opportunity to thank my fellow Directors for their efforts during the year, our existing and new shareholders and other stakeholders for their on going support.



Peter Harold
Chairman

REVIEW OF OPERATIONS

Highlights

During 2009/2010, Alloy Resources has:

- Consolidated and increased its tenement holding around the Horse Well project to 500sq kms
- The tenements at Cootamundra NSW and Barrytown in NZ were granted
- TZ Minerals International completed a Scoping Study on the Barrytown Ilmenite deposit
- Field outcrop mapping indentified iron mineralisation to the east of the Horse Well gold deposit
- Completed a successful aircore drilling program at Horse Well that indentified a new gold prospect called Mustang to the east of Palomino
- Completed a successful RC drilling program at Horse Well which highlighted a high grade shoot at Palomino and extended the depth of mineralisation at Filly Central
- Completed a successful capital raising in March 2010

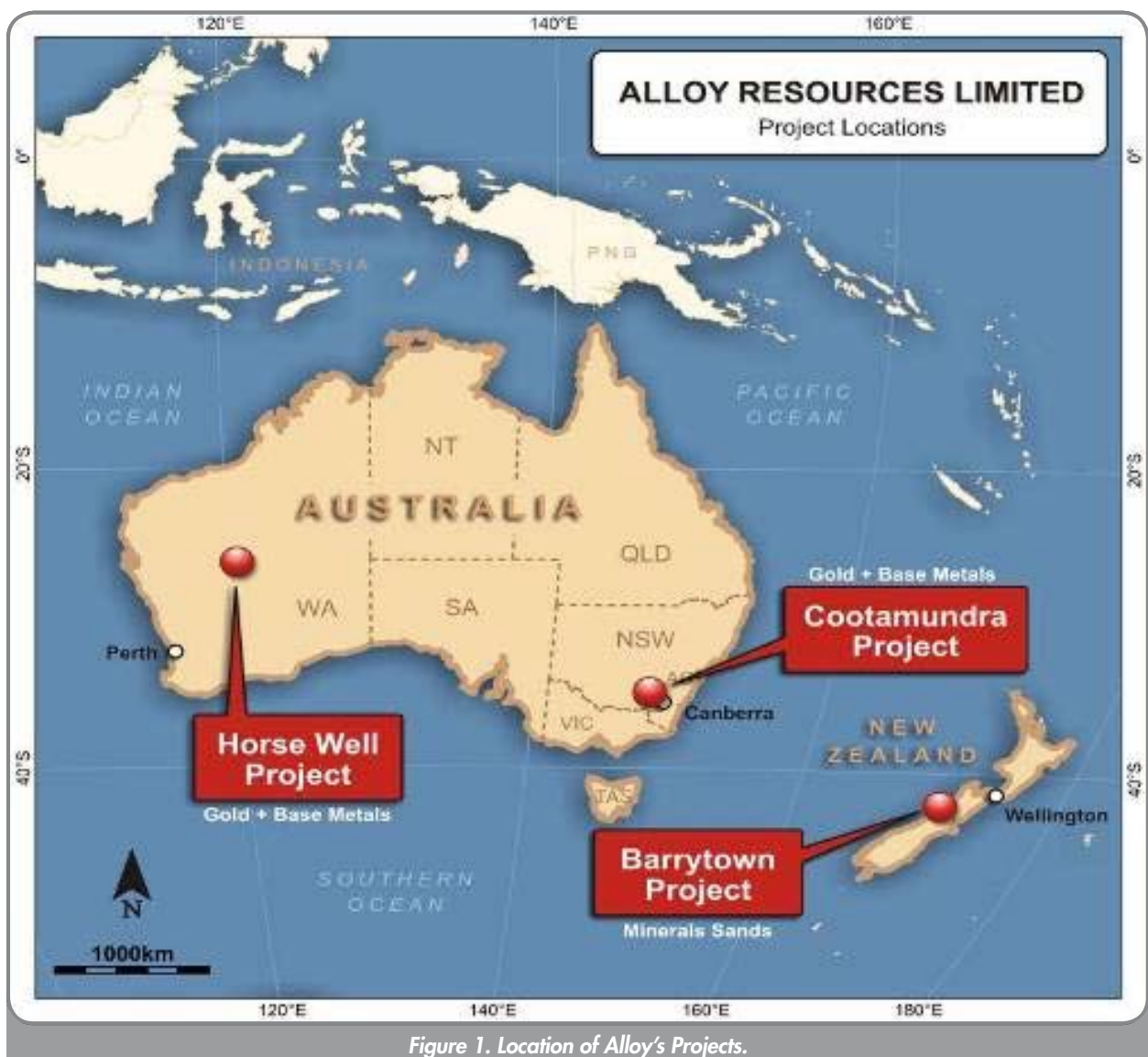


Figure 1. Location of Alloy's Projects.

REVIEW OF OPERATIONS

Horse Well Project

Horse Well is located in the Warburton Mineral Field of Western Australia and is approximately 85kms northeast of the town of Wiluna, with the Cunyu project 80kms north of Wiluna. The Horse Well Project occurs in the northern most part of the Yandal/Millrose Greenstone belt that host a number of multi-million ounce gold projects, such as Bronzewing, Jundee, Wiluna and Darlot-Centenary Gold Mines (Figure 2).

Exploration in the region is relatively immature, with the northern end of the Yandal Greenstone belt having been largely ignored until the discovery of significant gold deposits at Bronzewing and Jundee in the 1990's. Work has comprised of geological and regolith mapping, surface geochemical sampling programs (rock, soil and deflation lag), various geophysical surveys, target-definition drilling (RAB, aircore, vacuum), RC and some diamond drilling to test targets.

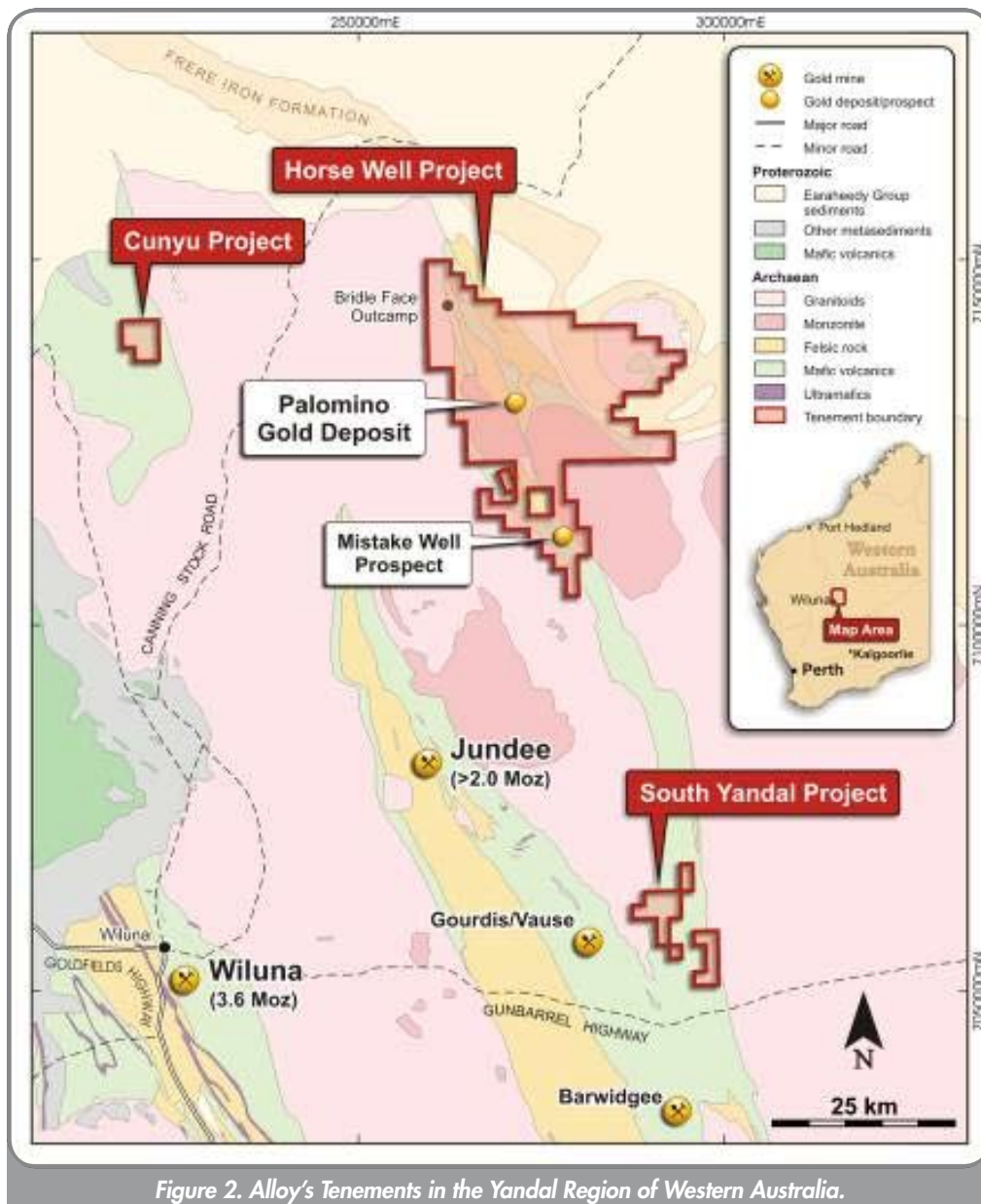


Figure 2. Alloy's Tenements in the Yandal Region of Western Australia.

REVIEW OF OPERATIONS

Horse Well Project continued

The current gold resources at Horse Well are listed below:

TABLE 1

Prospect	JORC Category	Tonnes	Grade (g/t)	Ounces Gold
Palomino	Indicated	607,000	2.6	53,000
Bronco	Indicated	22,078	2.72	1,930
Filly	Indicated	151,199	1.86	9,043
Filly SW	Indicated	62,487	7.07	14,205
TOTAL		842,764	2.80	78,178

1. Palomino Deposit – RC Drilling

Gold mineralisation at Palomino starts at or near the surface. Mineralisation is hosted in a shear zone up to 100m wide, with gold occurring in white quartz veins and silicified domains within mafic and ultramafic rocks. The main ore shoot is sub-vertical and higher grade zones plunge at 45° to the north northwest.

Three RC holes were recently drilled along the northern limit of the Palomino deposit to test for extensions along strike and down plunge (Figure 3). This drilling has shown that gold mineralisation continues at depth, extending the ore zones 200m to the north.

Table 2 shows the gold assay results above 0.5 g/t from Palomino and Filly drillholes. Significant intercepts include:

TABLE 2

• RC hole AHWR010: 6m@4.8g/t from 345m (containing 3m@8.2g/t)
• RC hole AHWR007: 2m@3.4g/t from 253m
• RC hole AHWR008: 1m@3.2g/t from 276m

The results of the drilling shows that the Palomino ore shoot is still open to the north and contains a high grade shoot plunging to the north. The recent drilling results will be used to increase the size of the gold resource base at Palomino, and the high grade zone will be followed up by future drilling.

2. Filly Central

The Filly prospect is located 1.4kms south-southeast of the Palomino. Filly is a broad zone of gold mineralisation and related alteration about 1.5km long by 300m wide. The area consists of a number of deposits: Filly NE, Filly Central and Filly SW (Figures 4 and 7). Resources for Filly Central and Filly SW are listed in Table 1, and Filly NE has had no resources calculated.

One deep RC hole (AHWR011) was drilled at Filly Central 50m to the west of an existing hole (HWRC252) that had strong alteration and a broad zone of weak gold assays. The broad zones of gold mineralisation are shown to continue at depth in AHWR011 (see Table 2), and a high grade shoot in HWRC252 (1m@7.9g/t from 232m) continues 150m below in AHWR011 (1m@6.26g/t from 327).

The broad zones of low grade gold mineralisation and intense silica (and sometimes pyrite) alteration observed in drilling suggest that this prospect has the potential to contain wider zones of high grade gold mineralisation.

Further infill and deep drilling is required to explore in the key target areas at Filly.

REVIEW OF OPERATIONS

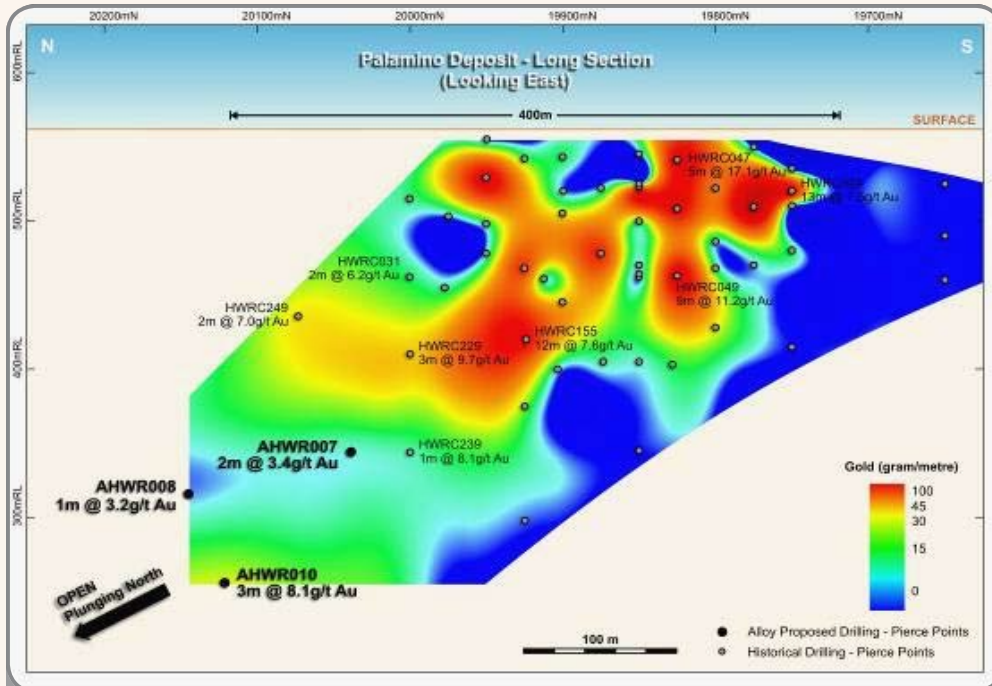


Figure 3. Diamond drilling on the down plunge trend of the Palomino gold deposit.

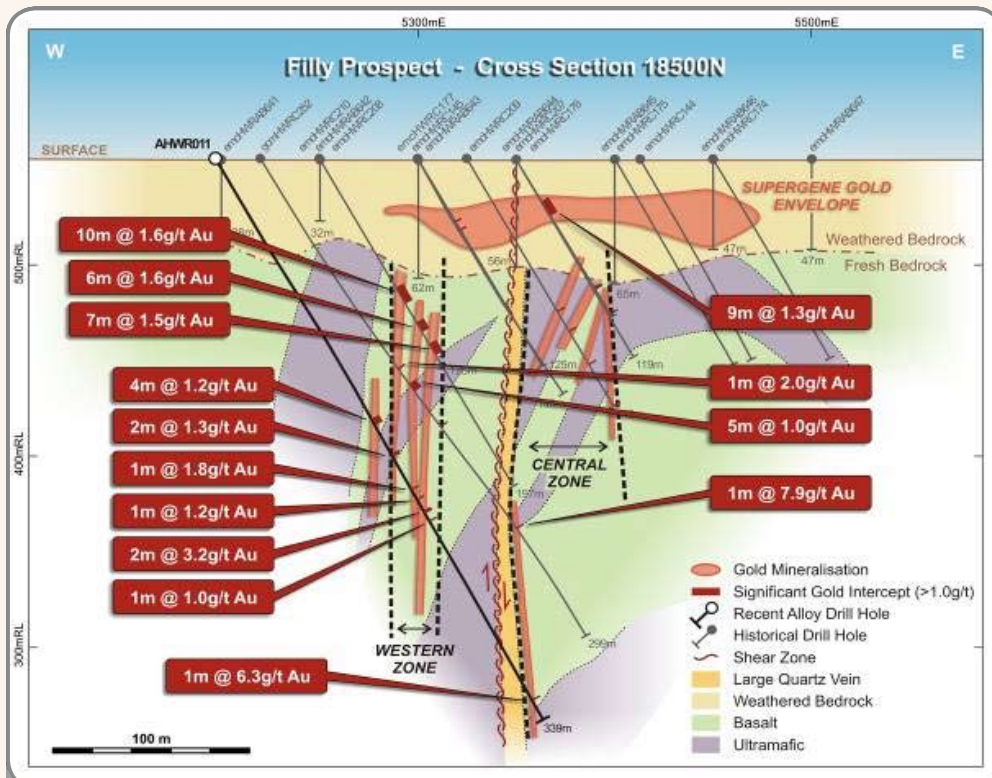


Figure 4. Drilling at Filly following up gold and sulphides from previous drilling.

REVIEW OF OPERATIONS

Horse Well Project continued

3. Iron Ore and Manganese

During the year, a small exploration program of mapping and rock chip sampling was carried out on the tenements to the east of Horse Well. This mineralisation is hosted in the Proterozoic Frere Formation, which contains layers of peloidal hematite and jaspilite, with some layers of black, oxidised hematite with elevated iron.

These results are very encouraging and further exploration for iron ore and manganese will be carried out in this region during the September quarter 2010 and into 2011.

4. Mustang Project

Previous reconnaissance air-core drilling in the Horse Well project area identified a new gold anomalous area, which was named the Mustang Prospect. Of the 101 holes drilled in the air-core program, 35 of these holes returned gold values of 0.05ppm or greater. The highest value was hole AHWA218, which returned 4m @ 1.57g/t from 60m depth.

A line of angled RC holes were drilled during the quarter along the same line as AHWA218 (Figure 5). RC hole AHWR001 assayed 3m@2.9g/t from 64m (containing 1m@5.3g/t), with mineralisation from 64-73m and RC hole AHWR002, has a broad mineralised zone from 125-142m containing 3m@1.4g/t from 128m, 3m@1.5g/t from 133m (or 1m@3.2g/t from 133m), and 1m@1.2g/t from 139m.

This drilling has indicated a broad mineralised structures steeply dipping to the east, however there is insufficient drilling information on this new prospect to define it further at this stage. The next lines of air-core drilling were done 400m to the north and 400m to the south.

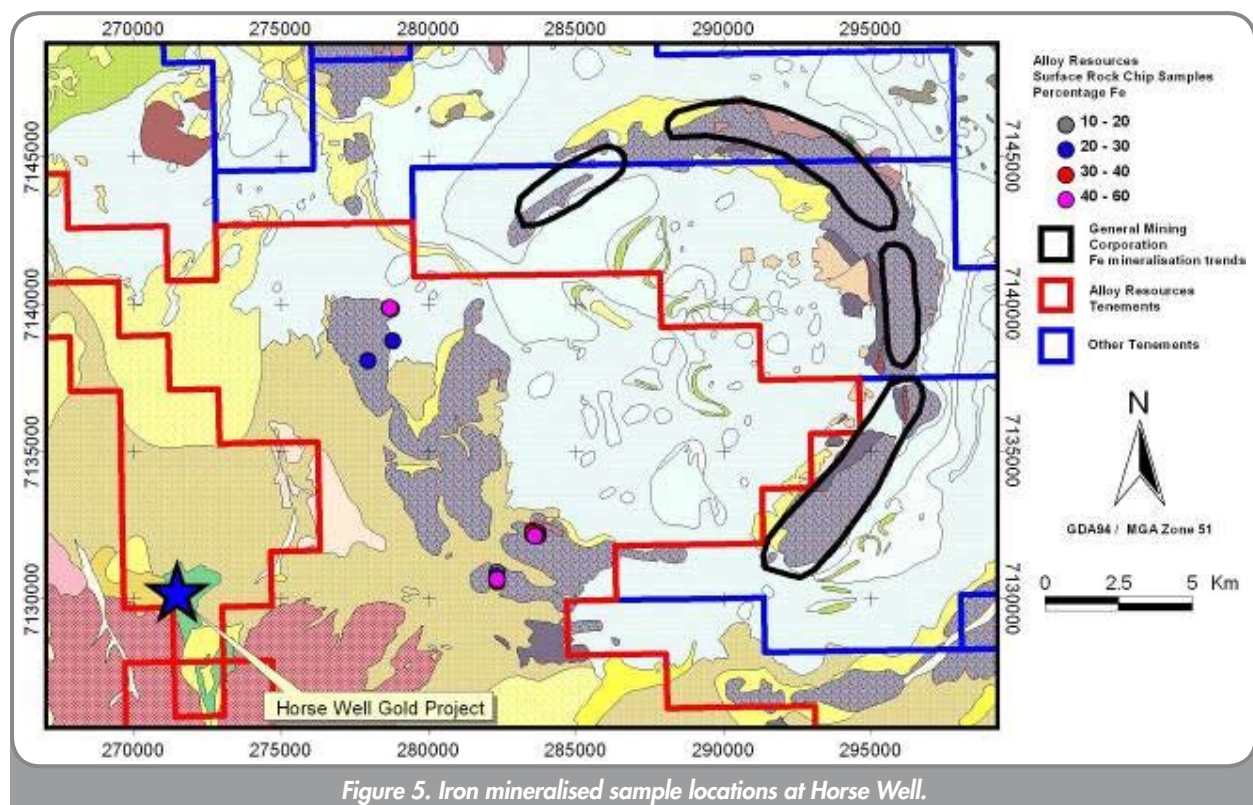


Figure 5. Iron mineralised sample locations at Horse Well.

REVIEW OF OPERATIONS

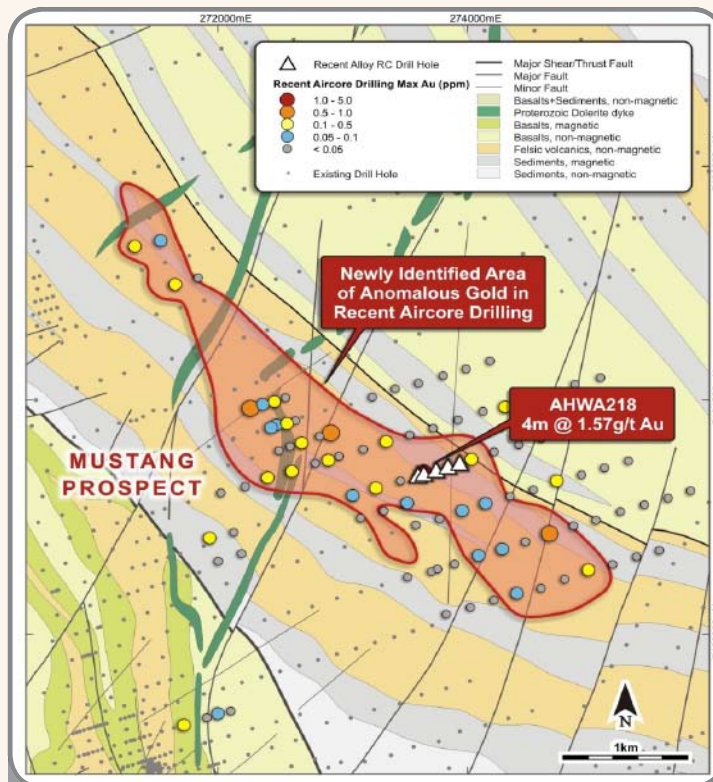


Figure 6. Aircore gold assays above 0.05g.

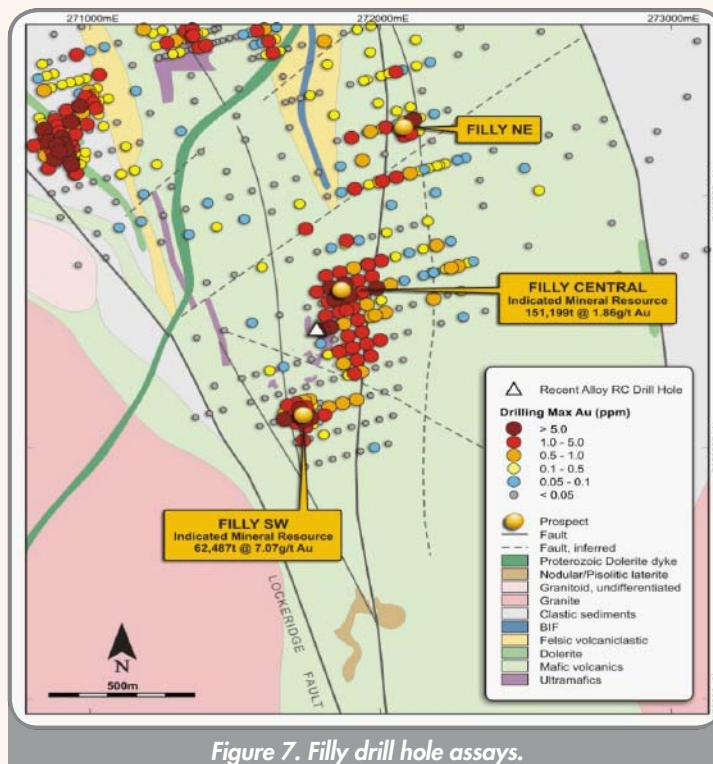


Figure 7. Filly drill hole assays.

REVIEW OF OPERATIONS

Horse Well Project continued

Alloy is planning a closely spaced air-core drilling program to test for continuity of gold mineralisation at the Mustang prospect and infill drill around gold anomalies identified by the recently completed aircore drilling. Alloy is also planning to follow up end of hole gold targets from historical drilling in this area.

5. Future Exploration Activities

Horse Well Project

1. Aircore drilling is planned at Mustang to follow up previous aircore results (Figure 7). The holes above 0.05g/t show the "target size" potential of the Mustang area.
2. Aircore drillholes on recently granted prospecting licences at Mistake Well.
3. Aircore drillholes to the south of Filly SE, where there has been no drilling in this area (Figure 8), and plan infill drilling between Filly SE and Filly Central, and Filly Central and Filly NE as there is a lack of drilling in this area.
4. Plan drilling between Filly NE and Palomino (Figure 8).
5. Mapping and rock chip sampling around Crack O' Dawn prospect.
6. Mapping and rock chip sampling to the east of Horse Well to follow up iron and manganese targets (Shoemaker Prospect in Figure 5).

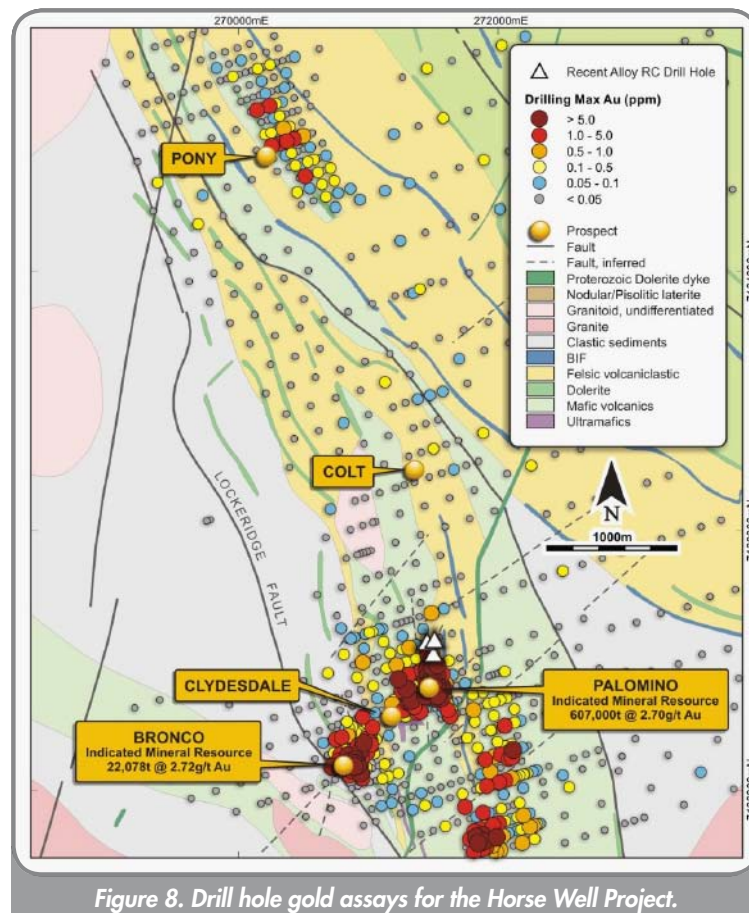


Figure 8. Drill hole gold assays for the Horse Well Project.

REVIEW OF OPERATIONS

Cootamundra Project – NSW

During the year Alloy were granted two exploration licences 10kms east of Cootamundra in the Lachlan Fold Belt. Cootamundra is located 110kms from Dalton, 120kms northwest of Canberra and 385kms south west of Sydney.

The tenements have a number of known historic gold and base metal deposits on them.

Location and Geology

The Alloy tenement application is 10kms to the east of Cootamundra in the Lachlan Fold Belt, which is a well-endowed porphyry Cu-Au belt, hosting a number of mines, such as Northparkes, Cowal, Copper Hill, Temora and Cadia-Ridgeway.

Gold, manganese, chromite, and base metal mineralisation in the area is hosted in rocks of the Jindalee Group and Bowering Beds. The Jindalee Group is an up-thrusted, anticlinal belt comprised of Cambrian metavolcanic rocks, ultramafic rocks and iron rich sediments. It is in faulted contact with the Silurian "Young" Granodiorite in the east and mixed sediments and felsic volcanic rocks of the Silurian Bowering Beds in the west. The magnetic, iron rich sediments and serpentinite rocks that host most of the mineralisation in the tenement application area are clearly visible in aeromagnetic survey data.

Historic gold workings on the south tenement area form the western part of the old Muttama Goldfield. In the northern part of the tenement area, gold occurrences are related to the western part of the old Cullinga Gold Field.

Gold mining started in the area in 1862 and it attracted large numbers of miners to the region. The main gold mining areas were Cullinga and Muttama. The Cullinga Goldfield contains the Christmas Gift Mine, which has recorded production of 37,000 ozs. The deepest level yet developed is to 200 feet from the surface in the Christmas Gift Mine.

In the Gundagai, Cootamundra, Thuddungra and Grenfell-Parkes areas of the central Lachlan Orogen, manganese deposits are principally associated with the Brawlin Formation, Jindalee Group and Kirribilli Formation. The Hoskins mine, near Grenfell, was the largest manganese producer, and produced 25,700 tonnes of ore between 1915 and 1941.

Historic manganese deposits are hosted on Alloy's northern tenement. These deposits are:

1. the Cullinga Manganese deposits located 10kms east of Cootamundra,
2. the Cootamundra Manganese deposits, and
3. the Congou Manganese deposits located 7.5kms north northwest of Wallendbeen.

These areas were last mined in 1957.

The Cullinga deposits are 10kms east of the town of Cootamundra. Manganese lodes have been worked and prospected near the crests of three prominent hills. The main workings are at the southern most group of hills, where ore was mined to a depth of 5 metres in shafts that extend for about 35 metres. A sample from this working assayed 46.2% Mn (Lloyd 1942; Hall 1959).

Very little is known about the Cootamundra Mine. A sample of ore assayed 47.6% Mn from this deposit. No information has been located on the other deposits near the Cootamundra Mine.

At the Congou deposit, a shaft was sunk to 15m. A sample of manganese from a depth of 12 metres on the hanging wall assayed at 51% Mn, and at the base of the shaft a bulk sample averaged 42.1% Mn. Along the surface the deposit has been worked for a length of 15m, with width up to 2m. A total of 237 t @ 42% Mn was mined from these deposits (Ralph 1959).

Alloy plans to employ modern geophysical and drilling exploration methods for finding additional manganese deposits in the project area, and also review base metal and gold exploration targets. Exploration is now planned to commence in the September 2010 quarter.

Copper, in association with silver, lead, zinc and gold, forms part of the lode material in some of the Cullinga gold mines. Copper, lead, zinc, chrome and nickel mineralisation have been identified in drilling at Cullinga in the ultramafic and talc-carbonate rocks by Pacminex/CSR Limited in joint venture with Exploration Holdings Pty Ltd in the 1960s to 1970s, and then Michelago Resources in the late 1990s. These explorers identified low grade zones of Au, Cu and Ni mineralisation in drillholes.

REVIEW OF OPERATIONS

Cootamundra Project – NSW continued

Chromite mineralisation in the Gundagai-Wallendbeen belt forms very irregular segregations in peridotite and related ultramafic to mafic host rocks. The podiform chrome deposits were worked continuously between 1894 and 1904.

Historic chrome deposits are hosted on Alloy's northern tenement application. These deposits are:

1. Berthong Run deposit near Wallendbeen, and
2. Cullinga deposit near Cootamundra.

Proposed Exploration

Alloy plans to commence exploration by:

1. detailed interpretation of historical drilling and other exploration data for new target generation,
2. geological mapping and sampling of old workings and new target areas,
3. conduct a geochemical survey to explore for new zones of Au, Cu, Ni and Mn mineralisation,
4. conduct electromagnetic ground or helicopter based surveys,
5. generate new drilling targets, and
6. test targets using drilling.

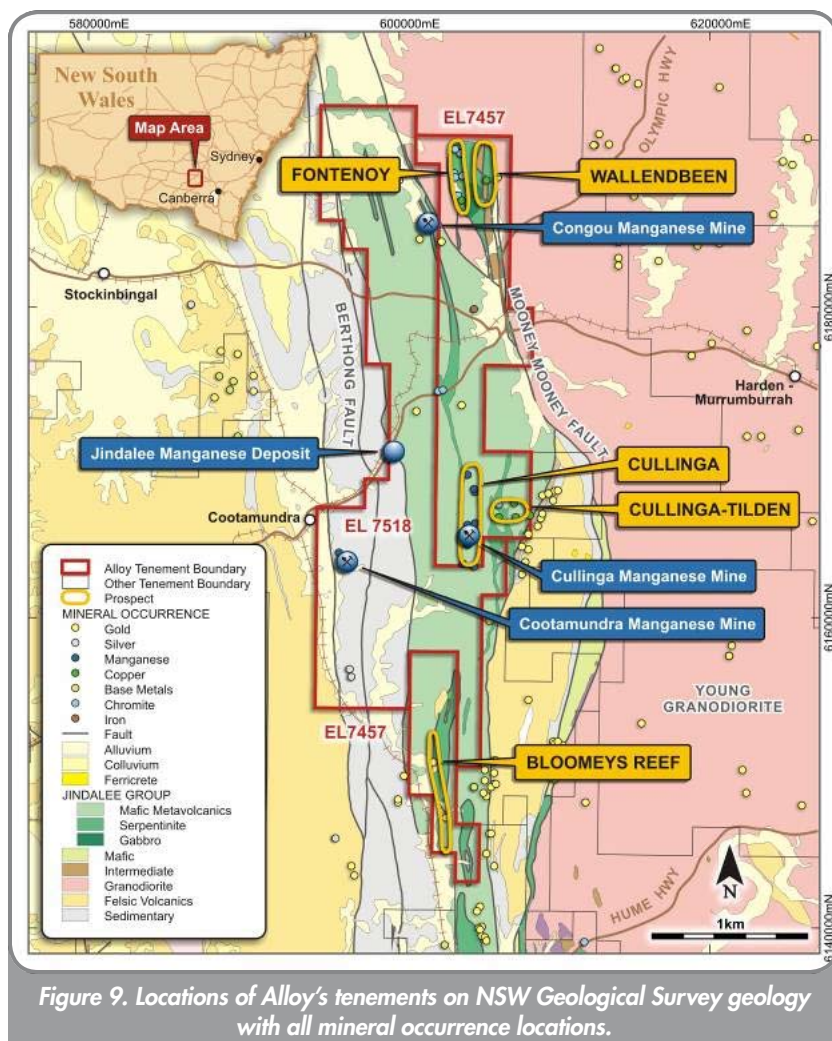


Figure 9. Locations of Alloy's tenements on NSW Geological Survey geology with all mineral occurrence locations.

REVIEW OF OPERATIONS

Barrytown Project – New Zealand

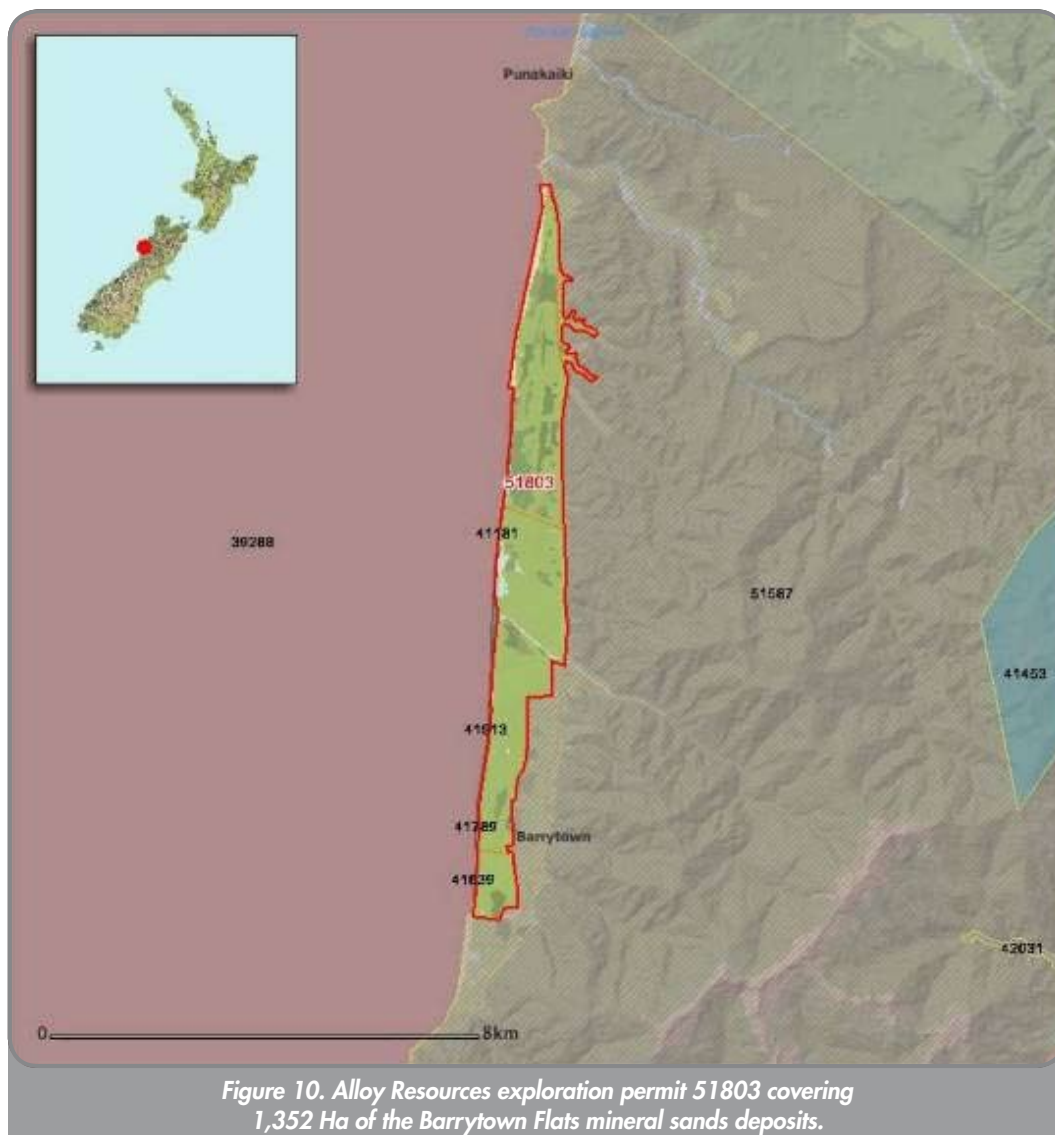
During the year Alloy Resources Limited has been granted its tenement over the Barrytown Mineral Sands deposit located on the South Island of New Zealand, 28kms north of the port of Greymouth.

Project Background

Barrytown was settled in the 1870's as an alluvial gold mining centre, but became the focus of mineral sands in the mid 1960's.

The exploration area comprises a coastal lowland strip up to 1.5km wide within a coastal embayment that stretches over 17km from Razorback Point in the north to Seventeen Mile Bluff in the south. Most of the area lies below an elevation of 20m above sea level and is backed to the east by steep slopes along an old sea cliff.

The Barrytown Flats contain a geologic sequence of Quaternary shorelines and local alluvial fan deposits that have, in places, been obscured by historic gold mining activity, particularly in the south.



REVIEW OF OPERATIONS

Barrytown Project – New Zealand continued

A review of historical exploration and mining feasibility data has developed an exploration target of 80 to 100 million tonnes at a grade of 11 to 13% ilmenite (4% ilmenite lower cut-off) (Refer ASX release dated 15th December 2009). The exploration target mineralisation tonnage and grade is conceptual in nature and based upon historic records as well as geological interpretations. At this stage there has been insufficient exploration to quantify a definitive JORC compliant Mineral Resource. However, future exploration work has been designed to improve confidence to meet this expectation, but it remains uncertain if future exploration will result in the determination of a Mineral Resource.

The Company engaged TZ Minerals International Pty Ltd to undertake a Scoping Study on the Barrytown Ilmenite Project. This study was completed during the June quarter. It was noted that the deposit had been evaluated a number of times since gold mining activities ceased in the project in 1948 and that at current commodity prices (March 2010) the project economics was likely to be marginal, despite the high ilmenite grades. This is mainly due to other minerals inclusions within the ilmenite grains that are more difficult to treat using conventional titanium reduction methods.

The Scoping Study recommended that, despite their relatively low concentrations, further test work should be undertaken on the potential co-product contribution of zircon and gold recoveries to improve the project economics. Examination of the potential co-products credits to potentially deliver proportionately more revenue to the project would entail a sampling programme of drilling or excavation, and focussed metallurgical test work.

Proposed Exploration

Typical high energy placer deposits develop approximately parallel to the coastline, which is also the case at Barrytown. In such depositional environments, some sorting of mineral abundance can occur across the strike of the deposit. The highest energy deposits are usually found at the base of the highest strandline, in this case against the eastern edge of the deposit. Gold and zircon are both more dense than the Barrytown ilmenite and garnet (which dominate the heavy mineral mixture). It is possible that higher relative concentrations of these two co-products may be found along the eastern fringe of the project area, and towards the bottom of the high grade ilmenite mineralisation identified from previous exploration.

A sampling program to test this possibility, together with testing the undisturbed northern project area mineralisation in a more broad-based approach, as the general mineral content will also be tested to determine process response using modern separation technology.

The Barrytown Project is not considered a core project and Alloy will be seeking expressions of interest for a joint venture partner to move the project forward.

The information in this Annual Report which relates to Exploration Results is based on information compiled by Dr. Jayson Meyers, a Director of Alloy Resources Limited and who is a Fellow of the Australian Institute of Geoscientists. Dr. Meyers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Dr. Meyers consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this Annual Report which relates to Exploration Results on the Barrytown Mineral Sands Project is based on information compiled by Mark Gifford MSc(Hons) and who is a Member of the Australian Institute of Mining and Metallurgy. Mark Gifford has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mark Gifford consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The resources in this Annual Report are based on work carried out by Dr. S. Carras FAus/MM of Carras Mining Pty Ltd. Dr. Carras has 30 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves" and consents to the inclusion in this report of the information in the form and context in which it appears.

SCHEDULE OF TENEMENTS

Project	Tenement	Alloy Equity
(All tenements registered to Alloy Resources Limited except where noted below)		
Horse Well		
Eskay Resources Pty Ltd 100% <i>(Eskay Resources Pty Ltd is a wholly owned subsidiary of Alloy Resources Limited)</i>	E69/1772	100%
Alloy Resources Limited – Granted	E53/1466	100%
Alloy Resources Limited – Granted	E53/1471	100%
Alloy Resources Limited – Granted	E53/1484	100%
Alloy Resources Limited – Granted	E53/1485	100%
Alloy Resources Limited – Granted	E53/1486	100%
Alloy Resources Limited – Granted	E53/1488	100%
Alloy Resources Limited – Granted	E53/1489	100%
Alloy Resources Limited – Granted	P53/1524	100%
Alloy Resources Limited – Granted	P53/1525	100%
Alloy Resources Limited – Granted	P53/1526	100%
Alloy Resources Limited – Application	E69/2765	100%
Wayne Jones – Alloy Earning Interest*	E69/2491	Earning up to 80%
Wayne Jones – Alloy Earning Interest*	E69/2492	Earning up to 80%
Barrytown Mineral Sands Project – New Zealand		
Alloy Resources Limited – Granted	EL 51803	100%
Cootamundra Project – NSW		
Alloy Resources Limited – Granted	EL 7457	100%
Alloy Resources Limited – Granted	EL 7518	100%

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

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

Role of the Board of Directors

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

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

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

Board Processes

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

Evaluation of Senior Executive Performance

The Company has not complied with Recommendation 1.2 of the Corporate Governance Council as the Board have not undertaken a formal review of senior executive performance for the year ended 30 June 2010.

Due to the early stage of development of the Company, it is difficult for quantitative measures of performance to be established. As the Company progresses its current projects, the Board intends to establish appropriate evaluation procedures. The Chairman assesses the performance of the executive director on an informal basis.

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Council Principle 2

Structure the Board to Add Value

Board Composition

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

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

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

The Board is presently comprised of four members, three non-executive and one executive.

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

Independent Chairman

The Chairman is an independent director and as such Recommendation 2.2 of the Corporate Governance Council has been complied with.

Roles of Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are exercised by different individuals, and as such the Company complies with Recommendation 2.3 of the Corporate Governance Council.

Nomination Committee

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

Evaluation of Board Performance

The Company does not have a formal process for the evaluation of the performance of the Board and as such does not comply with Recommendation 2.5 of the Corporate Governance Council. The Board is of the opinion that the competitive environment in which the Company operates will effectively provide a measure of the performance of the Directors, in addition the Chairman assesses the performance of the Board, individual directors and key executives on an informal basis.

Education

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

Independent professional advice and access to information

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

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

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Council Principle 3

Promote Ethical and Responsible Decision Making

The Board actively promotes ethical and responsible decision making.

Code of Conduct

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

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

The Ethics and Conduct Policy addresses the following:

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

Security Trading Policy

The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information and as such complies with Recommendation 3.2 of the Corporate Governance Council. It also provides that notification of intended trading should be given to the Chairman prior to trading.

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

Corporate Governance Council Principle 4

Safeguarding Integrity in Financial Reporting

Managing Director and Company Secretary

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

Audit Committee

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

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

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Council Principle 4 continued

External Auditors

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

Financial reporting

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

Corporate Governance Council Principle 5

Make Timely and balanced disclosure

Timely and balanced disclosure

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

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

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

Corporate Governance Council Principle 6

Respect the Rights of Shareholders

Communications

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

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

Corporate Governance Council Principle 7

Recognise and Manage Risk

Risk management policy

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

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Council Principle 7 continued

Risk management and the internal control system

The Managing Director and Company Secretary, with the assistance of senior executives as required, have responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

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

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

Key identified risks to the business are monitored on an ongoing basis as follows:

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

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

Risk Reporting

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

The Company does not have an internal audit function.

Managing Director and Chief Financial Officer Written Statement

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

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

CORPORATE GOVERNANCE STATEMENT

Corporate Governance Council Principle 8

Remunerate Fairly and Responsibly

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

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

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

Remuneration Committee

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

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

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

Distinguish Between Executive and Non-Executive Remuneration

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

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

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

DIRECTORS' REPORT

The Directors present their report on Alloy Resources Limited and the entities it controlled at the end of, or during the year ended 30 June 2010 and the auditor's report thereon.

Directors

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

Peter Harold – Non-Executive Chairman, age 47

Appointed Chairman on 15 September 2005.

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

Peter Hepburn-Brown – Managing Director, age 53

Appointed a Director on 2 June 2004.

Peter holds a BSc in Mining Engineering, Grad Dip in Human Resources, is a member of the Institute of Engineers Aust. He is currently a non-executive director of Medusa Mining Limited (appointed 15 September 2009) and Morning Star Gold NL (appointed 19 February 2010). Peter is a former non-executive director of Gleneagle Gold Limited (resigned 1 May 2007) and Kasbah Resources Limited (resigned 20 November 2009). Peter is a mining engineer holding First Class Mining Tickets for Western Australia, Victoria and Queensland. He works as a consultant mining engineer and operations advisor, and formerly held senior executive positions with Siberia Mining Corporation, as Director Operations for Harmony Gold (Australia), General Manager for Great Central Mines Limited, and worked on mining operations for Niugini Mining and Western Mining Corporation. Peter has over 25 years of mining industry experience.

Dr Jayson Meyers – Non-Executive Director, age 46

Appointed a Director on 2 June 2004.

Jayson holds a PhD in Geophysics, MSc Geochemistry, BSc in Geology, is a fellow of the AIG and ASEG, is a Director and Principal Consultant with Resource Potentials Pty Ltd, a geological and geophysical consulting group, and is part time at Curtin University as an Associate Professor in the Department of Exploration Geophysics. He has over 20 years of resource industry experience with various exploration and mining companies, including Great Central Mines Limited.

Kevin Hart – Non-Executive Director and Company Secretary, age 48

Appointed a Director on 2 June 2004.

Kevin holds a Bachelor of Commerce Degree and is a Chartered Accountant. He is a Partner at Endeavour Corporate Pty Ltd, an advisory firm that specialises in the provision of Company Secretarial services to ASX listed entities. Kevin has over 25 years of professional experience with various public companies, mostly in the exploration and mining industry. Kevin is also a director of Eleckra Mines Limited.

DIRECTORS' REPORT continued

Directors' Interests

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

Director	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options (Vested)
Peter Harold	750,000	1,000,000
Peter Hepburn-Brown	6,078,119	1,000,000
Jayson Meyers	4,500,000	1,000,000
Kevin Hart	1,537,500	1,000,000

The unlisted options are exercisable by payment of 25 cents each on or before 30 November 2012.

Directors' Meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2010 and the number of meetings attended by each Director was:

Director	Board of Directors' Meetings	
	Held	Attended
Peter Harold	4	4
Peter Hepburn-Brown	4	4
Jayson Meyers	4	4
Kevin Hart	4	4

Principal Activities

The principal activities of the Group during the financial year consisted of mineral exploration and investment.

There were no significant changes in these activities during the financial year.

Results of Operations

The consolidated net loss after income tax for the financial year is \$431,696 (2009: \$605,137). Included in the loss is an amount of \$84,837 (2009: \$246,930) being exploration costs written off.

Dividends

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

Review of Activities

Exploration

A detailed review of the Group's activities during the financial year is set out in the section titled "Review of Operations" accompanying the Consolidated Financial Statements.

Financial Position

At the end of the financial year the Group had \$1,618,286 (2009: \$1,582,600) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure was \$1,967,774 (2009: \$1,207,900).

Expenditure on exploration and acquisition of tenements during the year was \$844,711 (2009: \$444,212).

Impact of Legislation and other External Requirements

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

Significant Changes in the State of Affairs

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

- On 19 February 2010 the Company completed a placement of 11,000,000 ordinary fully paid shares at 2.5 cents each to raise \$275,000 before capital raising costs.
- On 20 April 2010 the Company announced the completion of the Non-renounceable Entitlement Issue that raised \$1.06 million before capital raising costs by the issue of 42,348,290 shares at 2.5 cents.

Options over Unissued Capital

No options were issued by the Company during the financial year and no ordinary fully paid shares were issued on the exercise of options.

Since the end of the financial year no options have been exercised or granted.

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

Number of Options Granted	Exercise Price	Expiry Date
250,000(i)	20 cents	25 July 2011
4,000,000(ii)	25 cents	30 November 2012

(i) The unlisted employee options had a 12 month vesting period upon grant whereby option exercise can occur after 25 July 2008.

(ii) The unlisted director options had a 12 month vesting period upon grant whereby option exercise can occur after 12 December 2008.

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments and Expected Results of Operations

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

Environmental Regulation and Performance

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

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

Remuneration Report (audited)

Remuneration Policy

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and senior executives. Remuneration packages include fixed remuneration with bonuses or equity based remuneration entirely at the discretion of the Board based on the performance of the Group.

At the date of this report the Company has not entered into any agreements with Directors or Senior Executives which include performance based components, nor is there any provision for issuing securities to Directors or Senior Executives.

Principles used to determine the nature and amount of remuneration

Performance linked compensation

Performance linked compensation includes long term incentives, designed to reward key management personnel for reaching or exceeding specific objectives or as recognition for strong individual performance.

Long term incentives

Long term incentives are comprised of share options, which are granted from time to time to encourage exceptional performance in the realization of strategic outcomes and growth in shareholder wealth.

Directors' fees not exceeding an aggregate of \$150,000 per annum has been approved by the shareholders at the Annual General Meeting held on 27 November 2007.

Refer also to the Corporate Governance Statement for more detail on the Board's policy in this area.

Service Agreements

The Company has entered into service agreements with the Directors. Under these agreements, no director is on a fixed salary, other than the Director's Fees listed above. The Directors' service agreements set out a daily rate at which a director may charge consulting fees for technical or corporate services provided beyond the Director's duties covered by the Directors' fees listed above.

The maximum daily rate that each Director may charge excluding superannuation entitlements and exclusive of GST is as follows:

The daily rates are subject to annual review.

Peter Harold	\$1,000 per day on an as needed basis
Peter Hepburn-Brown	\$1,000 per day on an as needed basis
Jayson Meyers	\$800 per day on an as needed basis
Kevin Hart	\$1,000 per day on an as needed basis.

Details of Remuneration for Directors

During the year there were no Senior Executives which were employed by the Company for whom disclosure is required.

Consequences of performance on shareholder wealth

As the Company has not yet achieved operational status, its reported earnings are not relevant as a measure of performance on shareholder wealth. The value of the key management personnel remuneration component which is composed of options is directly linked to the performance of the Company's share price, and as a consequence is directly aligned with shareholder wealth.

DIRECTORS' REPORT continued

Remuneration Report (audited) continued

Details of the remuneration of each Director of the Group are as follows:

2010	Short-term		Post Employment	Share-based payment	Total	Performance Related
	Base Emolument	Other Benefits	Superannuation Contributions	Options		\$
Directors	\$	\$	\$	\$	\$	%
Peter Harold	35,000	–	–	–	35,000	–
Jayson Meyers	35,000	83,850	7,547	–	126,397	–
Peter Hepburn-Brown	–	194,000	17,595	–	211,595	–
Kevin Hart	35,000	–	–	–	35,000	–
TOTAL	105,000	277,850	25,141	–	407,992	

2009	Short-term		Post Employment	Share-based payment	Total	Performance Related
	Base Emolument	Other Benefits	Superannuation Contributions	Options		\$
Directors	\$	\$	\$	\$	\$	%
Peter Harold	30,000	–	–	26,822	56,822	47%
Jayson Meyers	35,000	52,748	4,747	26,822	119,317	22%
Peter Hepburn-Brown	–	183,917	16,290	26,822	227,029	12%
Kevin Hart	30,000	–	–	26,822	56,822	47%
TOTAL	95,000	236,665	21,037	107,288	459,990	

Notes in relation to the table of directors' remuneration

The fair value of the options is calculated at the date of grant using a Black-Scholes option-pricing model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed is the portion of the fair value of the options recognised in this reporting period. Market conditions have been taken into account within the valuation model.

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

Grant Date	Option life	Fair value per option	Exercise price	Price of shares on grant date	Expected volatility	Risk free interest rate	Dividend yield
4,000,000 Unlisted Options							
27 November 2007	5 years	\$0.06	\$0.25	\$0.12	78.38%	6.17%	0%

DIRECTORS' REPORT continued

Remuneration Report (audited) continued

Compensation options: Granted and vested during the year

All options refer to options over ordinary shares of the Company, which are exercisable on a one-for-one basis under the DEOP (Directors and Employees Option Plan). Details on options over ordinary shares in the Company that were granted as compensation to each key management person during the 30 June 2008 reporting period and details on options that were vested during the previous reporting period are as follows:

Directors	Number of options granted during 2008	Grant date	Fair value per option at grant date \$	Exercise price per option \$	Expiry date	Number of options vested during 2009
Peter Harold	1,000,000	27 Nov 2007	0.064	0.25	30 Nov 2012	1,000,000
Peter Hepburn-Brown	1,000,000	27 Nov 2007	0.064	0.25	30 Nov 2012	1,000,000
Jayson Meyers	1,000,000	27 Nov 2007	0.064	0.25	30 Nov 2012	1,000,000
Kevin Hart	1,000,000	27 Nov 2007	0.064	0.25	30 Nov 2012	1,000,000

There were no options issued during the current financial year. No options have been granted since the end of the financial year.

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

Exercise of options granted as compensation

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

Analysis of options and rights over equity instruments granted as compensation

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

Directors	Options granted in 2008		% vested in 2010	% forfeited in 2010	Financial years in which grant vested
	Number	Date			
Peter Harold	1,000,000	27 Nov 2007	–	–	2009
Peter Hepburn-Brown	1,000,000	27 Nov 2007	–	–	2009
Jayson Meyers	1,000,000	27 Nov 2007	–	–	2009
Kevin Hart	1,000,000	27 Nov 2007	–	–	2009

Analysis of movements in options

There were no movement during the reporting period of options over ordinary shares in the Company held by each key management person.

Officer's Indemnities and Insurance

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

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

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

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

Corporate Governance

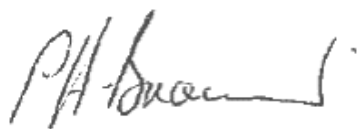
In recognising the need for high standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance to the extent they are applicable to the company given its size and scale of operations. The Company's corporate governance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

Auditor's Independence Declaration

A copy of the Auditors' Independence Declaration as required under Section 307C of the Corporations Act is set out on page 27 and forms part of the director's report for the financial year ended 30 June 2010.

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

DATED at Perth this 28th day of September 2010.



Peter Hepburn-Brown
Managing Director



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

To: the directors of Alloy Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

D P McComish
Partner

Perth

28 September 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2010

	Note	30 June 2010 \$	30 June 2009 \$
Directors Fees		(105,000)	(95,000)
Depreciation and amortisation		(15,801)	(35,556)
Occupancy expenses		(21,343)	(31,725)
Accounting and administrative expenses		(172,339)	(139,650)
Employee expenses		(302,992)	(370,025)
Employee expenses recharged to Exploration		234,750	211,261
Insurance expenses		(21,032)	(28,770)
Other expenses		(940)	(24,236)
Gain on sale of Asset		-	14,913
Exploration costs expensed and written off	12	(84,837)	(246,930)
Results from operating activities		(489,534)	(745,718)
Finance income	4	57,838	91,835
Loss before income tax	5	(431,696)	(653,883)
Income tax expense	6	-	-
Loss for the period		(431,696)	(653,883)
Other comprehensive income for the period		-	48,746
Total comprehensive loss for the period	15	(431,696)	(605,137)
		Cents	Cents
Earnings per share:			
Basic earnings/(loss) per share	27	(0.50)	(0.82)
Diluted earnings/(loss) per share	27	(0.50)	(0.82)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2010

	Note	30 June 2010 \$	30 June 2009 \$
Current assets			
Cash and cash equivalents	7	1,618,286	1,582,600
Trade and other receivables	8(a)	54,939	2,348
Other current assets	9	12,367	15,412
Total current assets		1,685,592	1,600,360
Non-current assets			
Trade and other receivables	8(b)	9,091	9,091
Other financial assets – security deposit		20,000	–
Property, plant and equipment	11	12,432	16,518
Capitalised mineral exploration and evaluation expenditure	12	1,967,774	1,207,900
Total non-current assets		2,009,297	1,233,509
Total assets		3,694,889	2,833,869
Current liabilities			
Trade and other payables	13	64,739	62,219
Total current liabilities		64,739	62,219
Total liabilities		64,739	62,219
Net assets		3,630,150	2,771,650
Equity			
Issued capital	15	10,458,711	9,168,515
Accumulated losses	15	(7,112,647)	(6,680,951)
Reserves	15	284,086	284,086
Total equity		3,630,150	2,771,650

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2010

	Share Capital \$	Accumulated losses \$	Translation Reserve \$	Equity Remuneration Reserve \$	Total \$
Balance as at 1 July 2009	9,168,515	(6,680,951)	1,710	282,376	2,771,650
Loss for the period	-	(431,696)	-	-	(431,696)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	(431,696)	-	-	(431,696)
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity	1,333,688	-	-	-	1,333,688
Transaction costs of equity issued	(43,492)	-	-	-	(43,492)
Balance at 30 June 2010	10,458,711	(7,112,647)	1,710	282,376	3,630,150
Balance as at 1 July 2008	9,168,515	(6,075,814)	(1,293)	175,087	3,266,495
Loss for the period	-	(605,137)	-	-	(605,137)
Other comprehensive income for the period	-	-	3,003	-	3,003
Total comprehensive loss for the period	-	(605,137)	3,003	-	(602,134)
Movement in equity remuneration reserve	-	-	-	107,289	107,289
Balance at 30 June 2009	9,168,515	(6,680,951)	1,710	282,376	2,771,650

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

CONSOLIDATED STATEMENT OF CASH FLOW

For the financial year ended 30 June 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Interest received		57,978	91,802
Payments to suppliers and employees		(403,118)	(331,773)
Exploration expenditure		(877,655)	(600,011)
Net cash (used in) operating activities	26	(1,222,795)	(839,982)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		–	30,000
Proceeds from sale of prospects		–	1,425,000
(Payments)/Proceeds from Security deposit		(20,000)	141,000
(Payments) for property, plant and equipment		(11,715)	(517)
Net cash (used in)/from investing activities		(31,715)	1,595,483
Cash flows from financing activities			
Proceeds from issue of shares		1,333,688	–
Transaction costs on issue of shares		(43,492)	–
Net cash from financing activities		1,290,196	–
Net increase in cash held		35,686	755,501
Cash and cash equivalents at 1 July		1,582,600	827,099
Cash and cash equivalents at 30 June	7(a)	1,618,286	1,582,600

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 1 Summary of significant accounting policies

Alloy Resources Ltd is domiciled in Australia. The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Consolidated Financial Statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The financial report was authorised for issue by the directors on 28th September 2010.

(a) Basis of preparation

Statement of Compliance

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

Adoption of new and revised Accounting Standards

During the year, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards, relevant to the Group are:

- Principles of consolidation – revised AASB 127 *Consolidated and Separate Consolidated Financial Statements and changes made by AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity and Associate*
- Business combinations – revised AASB 3 *Business Combinations*
- Segment reporting – new AASB 8 *Operating Segments*
- Financial Instruments – revised AASB 7 *Financial Instruments: Disclosures*
- Borrowing Costs – revised AASB 123 *Borrowing Costs*
- Presentation of Consolidated Financial Statements – AASB101

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*.
- AASB 9 will become mandatory for the Group's 30 June 2014 Consolidated Financial Statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 Consolidated Financial Statements, are not expected to have a significant impact on the Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 1 Summary of significant accounting policies *continued*

(a) Basis of preparation *continued*

Adoption of new and revised Accounting Standards continued

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions* resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 – Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 Consolidated Financial Statements, are not expected to have a significant impact on the Consolidated Financial Statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 Consolidated Financial Statements, are not expected to have any impact on the Consolidated Financial Statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 Consolidated Financial Statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

Historical cost convention

These Consolidated Financial Statements have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets and liabilities (including derivative instruments) being measured at fair value through profit and loss.

Functional and presentation currency

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

Critical accounting estimates

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

(b) Principles of consolidation

(i) *Business combinations*

Change in accounting policy

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Consolidated Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 1 Summary of significant accounting policies *continued*

(b) Principles of consolidation *continued*

(i) *Business combinations continued*

Measuring goodwill

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

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

Share-based payment awards

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

Contingent liabilities

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

Non-controlling interest

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

Transaction costs

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

(ii) *Subsidiary companies*

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

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

(iii) *Transactions Eliminated on Consolidation*

Inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

(c) Segment reporting

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of directors ("the Board"), who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 1 Summary of significant accounting policies *continued*

(c) Segment reporting *continued*

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(d) Revenue recognition and receivables

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

Interest income

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

(e) Income tax

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 1 Summary of significant accounting policies continued

(f) Impairment

The carrying amounts of the Group's assets, other than deferred tax assets (see accounting policy 1(e)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated as follows:

The recoverable amount is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated statement of financial position.

(h) Fair value estimation

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

(i) Property, plant and equipment

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

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

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

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 1 Summary of significant accounting policies *continued*

(j) Mineral exploration and evaluation expenditure

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

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

Exploration and evaluation assets are assessed for impairment when:

- a. sufficient data exists to determine technical feasibility and commercial viability; and
- b. fact and circumstances suggests that the carrying amount exceeds the recoverable amount (see impairment accounting policy (f)). For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generated units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

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

(k) Trade and other payables

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

(l) Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Share based payments

Share based compensation payments are made available to directors and employees.

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

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

Defined contribution plans

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 1 Summary of significant accounting policies *continued*

(m) Contributed equity

Ordinary shares are classified as equity.

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

(n) Earnings per share

(i) *Basic earnings per share*

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

(ii) *Diluted earnings per share*

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

(o) Goods and service tax (GST)

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

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

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

(p) Trade and other receivables

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

(q) Investments and other financial assets

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

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

(i) *Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 1 Summary of significant accounting policies *continued*

(r) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges which are recognised directly in equity.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at exchange rates at the dates of the transactions.

The income and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the exchange rate at the reporting date. Prior to translating the Consolidated Financial Statements of foreign operations in hyperinflationary economies, their Consolidated Financial Statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

Foreign currency differences are recognised directly in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve (FCTR) is transferred to profit or loss. Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(s) Jointly controlled operations and assets

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

(t) Presentation of Consolidated Financial Statements

The Group applies revised AASB 101 *Presentation of Consolidated Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 2 Critical accounting estimates and judgements

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

Accounting for capitalised exploration and evaluation expenditure

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

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

Measurement of share-based payments

The Group's accounting policy is stated at 1(l).

Note 3 Segment information

The Board has determined that the Group has one reportable segment, being mineral exploration and development in Australia and New Zealand. As the Group is focused on mineral exploration and development, the Board monitors the Group based on actual versus budgeted exploration and development expenditure incurred. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration and development activities, while also taking into consideration the results of exploration and development work that has been performed to date.

	2010 \$	2009 \$
<i>Information about reportable segments</i>		
Exploration costs expensed and written off	(84,837)	(246,930)
Depreciation and amortisation	(13,949)	(31,034)
Reportable segment loss before income tax	(98,786)	(277,964)
Other material non-cash items:		
Exploration costs expensed and written off	(84,837)	(246,930)
Reportable segment assets	1,999,008	1,221,368
Capital expenditure	11,715	–
Exploration costs capitalised	844,711	444,212
Reportable segment liabilities	31,194	20,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

	2010 \$	2009 \$
Note 3 Segment information <i>continued</i>		
<i>Reconciliations of reportable segment loss, assets and liabilities</i>		
Loss before income tax		
Total profit or loss for reportable segments	(98,786)	(277,964)
Unallocated amounts: other corporate expenses	(332,910)	(327,173)
Consolidated profit before income tax	(431,696)	(605,137)
Assets		
Total assets for reportable segments	1,999,008	1,221,368
Other unallocated amounts	1,695,891	1,612,501
Consolidated total assets	3,694,899	2,833,869
Liabilities		
Total liabilities for reportable segments	31,194	20,955
Other unallocated amounts	33,545	41,264
Consolidated total liabilities	64,739	62,219

Note 4 Finance income

Finance income

Interest received	57,838	91,835
-------------------	--------	--------

Note 5 Loss for the year

Loss before income tax includes the following specific expenses:

Depreciation:		
Computer Software	570	5,575
Office Equipment	1,852	4,523
Site Equipment	339	361
Motor vehicles	13,040	25,097
Rental expenses on operating leases	21,343	31,725
Contributions to defined superannuation funds	25,141	22,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note	2010 \$	2009 \$
Note 6 Income tax		
(a) Reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(431,696)	(605,137)
Tax at the Australian rate of 30% (2009 – 30%)	(129,509)	(181,541)
Deferred tax assets not brought to account	129,509	181,541
Income tax expense	–	–
(b) Deferred tax – Consolidated Statement of Financial Position		
<i>Liabilities</i>		
Prepayments	(3,710)	(4,624)
Capitalised Exploration and Evaluation expenditure	(590,332)	(362,370)
	(594,042)	(366,994)
<i>Less: Assets</i>		
Accrued expenses	8,054	4,553
Deductible equity raising costs	10,438	68,064
Tax losses available to offset against future taxable income (a)	575,550	294,377
	594,042	366,994
	–	–

(a) Tax losses

The balance of potential deferred tax assets of \$2,842,720 (2009: \$2,853,399) attributable to tax losses carried forward in respect of the Group have not been brought to account because directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. Tax loss availability is dependent on the company deriving future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realised; the Company continuing to comply with the conditions for deductibility imposed by tax legislation and no changes in tax legislation adversely affect the Company.

All unused tax losses were incurred by Australian entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

	2010 \$	2009 \$
Note 7 Current assets – Cash and cash equivalents		
Cash at bank and in hand	10,186	18,408
Deposits at call	1,588,100	1,564,192
	<u>1,618,286</u>	<u>1,582,600</u>

(a) Reconciliation to cash at the end of the year

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

Balances as above and per Cash flow statement	<u>1,618,286</u>	<u>1,582,600</u>
--	------------------	------------------

(b) Cash at bank

These attract interest at 2.64% (2009: 3.81%).

(c) Deposits at call

The deposits are bearing floating interest rates between 3.39% and 6.18% (2009: 3.24% and 6.28%).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 17.

Note 8 Trade and other receivables

(a) Current

GST recoverable	<u>54,939</u>	<u>2,348</u>
-----------------	---------------	--------------

(b) Non-current

Licences	<u>9,091</u>	<u>9,091</u>
----------	--------------	--------------

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in note 17.

Note 9 Other current assets

Prepayments	<u>12,367</u>	<u>15,412</u>
-------------	---------------	---------------

Note 10 Investments in subsidiaries

Refer to note 14 for details of the ultimate parent's investments in subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

	2010 \$	2009 \$
Note 11 Property, plant and equipment		
<i>Computer Software</i>		
At cost	33,652	21,937
Accumulated depreciation	(22,452)	(21,882)
	11,200	55
<i>Office equipment and fittings</i>		
At cost	16,749	16,749
Accumulated depreciation	(15,551)	(13,699)
	1,198	3,050
<i>Motor vehicles</i>		
At cost	54,274	54,274
Accumulated depreciation	(54,274)	(41,234)
	–	13,040
<i>Site equipment</i>		
At cost	1,442	1,442
Accumulated depreciation	(1,408)	(1,069)
	34	373
	12,432	16,518
Reconciliation		
<i>Computer Software</i>		
Net book value at 1 July	55	5,630
Additions	11,715	–
Depreciation	(570)	(5,575)
Net book value at 30 June	11,200	55
<i>Office equipment and fittings</i>		
Net book value at 1 July	3,050	10,093
Additions	–	517
Disposal	–	(3,096)
Depreciation	(1,852)	(4,523)
Foreign exchange rate difference	–	59
Net book value at 30 June	1,198	3,050
<i>Motor vehicles</i>		
Net book value at 1 July	13,040	53,225
Disposal	–	(15,087)
Depreciation	(13,040)	(25,098)
Net book value at 30 June	–	13,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

	2010 \$	2009 \$
Note 11 Property, plant and equipment continued		
<i>Site equipment</i>		
Net book value at 1 July	373	1,253
Disposals	–	(519)
Depreciation	(339)	(361)
Net book value at 30 June	34	373

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

Note 12 Capitalised mineral exploration and evaluation expenditure

In the exploration and evaluation phase

Cost brought forward	1,207,900	1,010,618
Exploration expenditure incurred during the year	844,711	444,212
Exploration expenditure written off during the year	(84,837)	(246,930)
Cost carried forward	1,967,774	1,207,900

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

Note 13 Trade and other payables

Trade payables and accruals	64,739	62,219
	64,739	62,219

(a) Interest rate risk exposure

Details of the Group's exposure to interest rate changes on liabilities are set out in note 17.

(b) Fair value disclosures

Details of the fair value of liabilities for the Group are set out in note 17.

(c) Security

There are no secured liabilities as at 30 June 2010.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

	2010 \$	2009 \$
Note 14 Parent Entity Disclosures		
As at, and throughout, the financial year ending 30 June 2010 the parent company of the Group was Alloy Resources Limited.		
Result of the parent entity		
(Loss) for the year	(431,696)	(656,092)
Other comprehensive income	–	48,746
Total comprehensive income for the year	(431,696)	(607,346)
Financial position of the parent entity at year end		
Total current assets	1,685,296	1,600,064
Investment (ii)	350,000	350,000
Trade and other receivables (i)	1,509,846	849,067
Property, plant and equipment	12,051	16,136
Deposits (iii)	20,000	–
Capitalised mineral exploration and evaluation expenditure (iv)	107,938	8,844
Total non-current assets	1,999,835	1,224,047
Total assets	3,685,131	2,824,111
Current liabilities	60,193	57,673
Total liabilities	60,193	57,673
Total equity of the parent entity comprising of:		
Issued capital	10,458,711	9,168,515
Accumulated losses	(7,116,148)	(6,684,453)
Reserves	282,376	282,376
Total Equity	3,624,939	2,766,438

- (i) Loan to Eskay Resources Pty Ltd (a controlled entity) is interest free, unsecured and is repayable on demand. Whilst the loan is at call there is no expectation at reporting date that it will be called in the next 12 months and has accordingly been classified as non-current. The loan is in respect of exploration expenditure incurred by the subsidiary company on the Group's mining tenements. The ultimate recoupment is dependent on successful development and commercial exploitation or alternatively, sale of the underlying mineral exploration properties.
- (ii) The ultimate recoupment of this investment is dependent on successful development and commercial exploitation or alternatively, sale of the underlying mineral exploration properties.
- (iii) Tenement security deposits are held in fixed term deposits. These amounts are not available for use and thus do not constitute cash assets. These tenement security deposits are guarantees placed with the Minister for Mineral and Forest Resources (New South Wales).
- (iv) The recoverability of the carrying amount of the capitalised exploration and evaluation assets is dependent upon the successful development and commercial exploitation or alternatively sale of the respective areas of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 15 Contributed equity

(a) Reconciliation of movement in capital and reserves

2010 in AUD	Share Capital	Translation Reserve	Remuneration Reserve	Accumulated Losses	Total
Balance at 1 July 2009	9,168,515	1,710	282,376	(6,680,951)	2,771,650
Contributions of equity	1,333,688	-	-	-	1,333,688
Transaction cost of equity issued	(43,492)	-	-	-	(43,492)
Net loss for the year	-	-	-	(431,696)	(431,696)
Balance at 30 June 2010	10,458,711	1,710	282,376	(7,112,647)	3,630,150

2009 in AUD	Share Capital	Translation Reserve	Remuneration Reserve	Accumulated Losses	Total
Balance at 1 July 2008	9,168,515	(1,293)	175,087	(6,075,814)	3,266,495
Foreign currency translation differences	-	3,003	-	-	3,003
Share based payment expense	-	-	107,289	-	107,289
Net loss for the year	-	-	-	(605,137)	(605,137)
Balance at 30 June 2009	9,168,515	1,710	282,376	(6,680,951)	2,771,650

Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the Consolidated Financial Statements of foreign operations.

Remuneration Reserve

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

	COMPANY	
	2010 No.	2009 No.
(b) Share Capital		
Issued share capital	127,044,870	73,696,580
Share movements during the year		
At the beginning of the year	73,696,580	73,696,580
Placement	11,000,000	-
Rights Issue	42,348,290	-
At the end of the year	127,044,870	73,696,580

(c) Ordinary shares

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

(d) Options

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 16 Share-based payments

(a) Option Plan

The Company has established a directors and employees option plan (DEOP).

The objective of the DEOP is to assist in the recruitment, reward, retention and motivation of directors and employees of the Company.

Each option issued under the plan will be issued free of charge.

The exercise price for options granted under the DEOP will be the price fixed by the Board prior to the grant of the option or, if no price is fixed, calculated based on weighted average of recent share trading on the ASX.

The options granted under the DEOP do not give any right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant option.

Under the DEOP, the Board may invite directors and employees to participate in the DEOP and receive options. A director or employee may receive the options or nominate a relative or associate to receive the options. The plan is open to directors and employees of the Company or its subsidiaries. The number of shares underlying options granted under the DEOP when aggregated with:

- The maximum number of shares that could be issued on exercise of unexercised DEOP options and any other director or employee incentive share or option plan; and
- The number of shares issued on exercise of options under the DEOP and any other employee incentive share or option plan in the last 5 years, must not exceed 5% of the issued shares at the time of grant of the options. This restriction will not apply if the Company has a current prospectus under which the options are granted.

If the Company, after having granted any option under the DEOP, reduces its issued share capital or subdivides or consolidates its shares, the number of the shares issued to the option holder on exercise of an option will be reduced, subdivided or consolidated, as the case may be, in accordance with the Listing Rules.

Options granted under the DEOP are not transferable.

(b) Terms and conditions of the grants

The terms and conditions of the grants are as follows. All options are to be settled by physical delivery of shares.

(c) Options issued during the year

During the financial year no options were granted by the Company over unissued ordinary shares of the Company. The following was granted in 2008:

Grant date	Entitled	Number of options	Vesting conditions	Contractual life of options
25 July 2007	Employees	250,000	12 month vesting period	4 years
27 November 2007	Directors	4,000,000	12 month vesting period	5 years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 16 Share-based payments *continued*

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

	Weighted average exercise price (cents) 2010	Number of options 2010	Weighted average exercise price (cents) 2009	Number of options 2009
Outstanding at 1 July	24.7	4,250,000	29.3	39,450,000
Expired during the period ⁽ⁱ⁾	–	–	–	(35,200,000)
Outstanding at 30 June	24.7	4,250,000	24.7	4,250,000
Exercisable at 30 June		4,250,000		4,250,000

⁽ⁱ⁾ 35,000,000 Listed options expired on 6 April 2009 and 200,000 employee options expired on 30 June 2009.

(e) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2010 is 4,250,000 (2009: 4,250,000). The terms of these options are as follows:

Number of Options Outstanding	Exercise Price	Expiry Date
250,000 Unlisted ⁽ⁱ⁾	20 cents	25 July 2011
4,000,000 Unlisted ⁽ⁱⁱ⁾	25 cents	30 November 2012

⁽ⁱ⁾ Unlisted options have a 12 month vesting period upon grant whereby option exercise can occur after 25 July 2008.

⁽ⁱⁱ⁾ Unlisted options have a 12 month vesting period upon grant whereby option exercise can occur after 12 December 2008.

(f) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 2.34 years (2009: 3.34 years).

(g) Weighted average fair value

The fair value of share options granted in the 2008 financial year was measured using a Black-Scholes model with the following inputs:

	Key management personnel 2008	Senior employees 2008
<i>Fair value of share options and assumptions</i>		
Fair value at grant date	\$0.06	\$0.06
Share price	\$0.12	\$0.16
Exercise price	\$0.25	\$0.20
Expected volatility (weighted average volatility)	78.38%	50%
Option life (expected weighted average life)	5 years	4 years
Expected dividends	0%	0%
Risk-free interest rate (based on government bonds)	6.17%	6.38%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 16 Share-based payments *continued*

(h) Recognised share-based payment expense

Employee expenses

In AUD

	2010	2009
Share options granted in 2008 – equity settled	–	107,289
Total expense recognised as employee costs	–	107,289

(i) Subsequent to the balance date

There are no options issued subsequent to the reporting date.

Note 17 Financial instruments

Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments. For the Company it arises from receivables due from subsidiaries (refer note 14).

Trade and other receivables

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

Cash deposits

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

Impairment losses

The Directors do not consider that any of the Group's financial assets are subject to impairment at the reporting date. No impairment expense or reversal of impairment charge has occurred during the reporting period. None of the Group's other receivables are past due (2009: Nil).

The Directors do not consider that the Group's financial assets are subject to anything more than a negligible level of credit risk, and as such no disclosures are made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 17 Financial instruments *continued*

(b) Liquidity risk

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

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

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

30 June 2010

<i>In AUD</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	64,739	(64,739)	(64,739)	–	–	–	–
	64,739	(64,739)	(64,739)	–	–	–	–

30 June 2009

<i>In AUD</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	62,219	(62,219)	(62,219)	–	–	–	–
	62,219	(62,219)	(62,219)	–	–	–	–

(c) Market risk

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

Currency risk

The Group is exposed to currency risk on mineral exploration and evaluation expenditure that are denominated in a currency other than the functional currency of the Company, the Australian dollar (AUD). The currency in which these transactions are denominated is the New Zealand Dollar (NZD).

The Group does not have material financial assets or liabilities at year-end denominated in currencies other than its functional currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 17 Financial instruments *continued*

(c) Market risk *continued*

Interest rate risk

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

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

AUD	CARRYING AMOUNT	
	2010	2009
Fixed rate instruments		
Financial liabilities	-	-
Variable rate instruments		
Financial assets	1,618,286	1,582,600

Fair value sensitivity analysis for fixed rate investments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

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

AUD	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
30 June 2010				
Variable rate instruments	16,183	(16,183)	16,183	(16,183)
30 June 2009				
Variable rate instruments	15,826	(15,826)	15,826	(15,826)

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities as described in the Consolidated Statement of Financial Position equate to their estimated net fair value.

(d) Capital management

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors capital expenditure and cash flows as mentioned in 17 (b).

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

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 18 Dividends

No dividends were paid or proposed during the financial year.
The company has no franking credits available as at 30 June 2010.

	CARRYING AMOUNT	
	2010 \$	2009 \$
Note 19 Key management personnel disclosures		
(a) Compensation for key management personnel		
Short-term employee benefits	105,000	95,000
Other benefits	277,850	236,665
Post-employee benefits	25,141	21,037
Share-based payment	–	107,288
Total compensation	<u>407,991</u>	<u>459,990</u>

(b) Other key management personnel

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

(c) Option holdings of key management personnel

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

2010	Balance at start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Directors</i>						
Peter Harold	1,000,000	–	–	–	1,000,000	1,000,000
Jayson Meyers	1,000,000	–	–	–	1,000,000	1,000,000
Peter Hepburn-Brown	1,000,000	–	–	–	1,000,000	1,000,000
Kevin Hart	1,000,000	–	–	–	1,000,000	1,000,000

2009	Balance at start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year ⁽ⁱ⁾	Balance at the end of the year	Vested and exercisable at the end of the year
<i>Directors</i>						
Peter Harold	1,000,000	–	–	–	1,000,000	1,000,000
Jayson Meyers	1,200,000	–	–	(200,000)	1,000,000	1,000,000
Peter Hepburn-Brown	1,125,000	–	–	(125,000)	1,000,000	1,000,000
Kevin Hart	1,025,000	–	–	(25,000)	1,000,000	1,000,000

⁽ⁱ⁾ These options expired on 6 April 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 19 Key management personnel disclosures *continued*

(d) Share holdings of key management personnel

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

2010	Balance at start of the year	Received during the year on exercise of options	Other changes during the year ⁽ⁱ⁾	Balance at the end of the year
<i>Directors</i>				
Peter Harold	500,000	–	250,000	750,000
Peter Hepburn-Brown	4,053,119	–	2,025,000	6,078,119
Jayson Meyers	4,000,000	–	500,000	4,500,000
Kevin Hart	1,025,000	–	512,500	1,537,500

⁽ⁱ⁾ Shares acquired under non-renounceable entitlement issue completed 20 April 2010.

2009	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
<i>Directors</i>				
Peter Harold	500,000	–	–	500,000
Jayson Meyers	4,000,000	–	–	4,000,000
Peter Hepburn-Brown	4,053,119	–	–	4,053,119
Kevin Hart	1,025,000	–	–	1,025,000

(e) Loans made to key management personnel

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

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

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

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

Dr. Jayson Meyers has an interest as a director in Resource Potentials Pty Ltd. This firm provides Geophysical consulting, Geological and Geochemical Database Management Services and office space and administration support to the Company in the ordinary course of business. The value of the transactions in the financial year ending 30 June 2010 amount to \$44,900 (2009: \$36,912).

Mr. Kevin Hart has an interest as a partner in a Chartered Accounting firm; Endeavour Corporate. This firm provides company secretarial and accounting services to the Company in the ordinary course of business. The value of the transactions in the financial year ending 30 June 2010 amount to \$79,125 (2009: \$61,615).

Amounts payable to key management personnel and other related parties at reporting date arising from these transactions were as follows:

	2010 \$	2009 \$
Trade and other payables – current	33,924	7,027

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

	CONSOLIDATED	
	2010	2009
	\$	\$
Note 20 Remuneration of auditors		
Audit and review of the Group's Consolidated Financial Statements	31,934	29,500
	31,934	29,500

Note 21 Contingencies

(i) Contingent liabilities

There were no material contingent liabilities not provided for in the Consolidated Financial Statements of the Company or Group as at 30 June 2010 or 30 June 2009, other than:

Native Title and Aboriginal Heritage

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

(ii) Contingent assets

There were no material contingent assets as at 30 June 2010 or 30 June 2009.

Note 22 Commitments

(a) Exploration

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the Consolidated Financial Statements and which cover the following twelve month period amount to \$362,976 (2009: \$65,625) respectively. These obligations are also subject to variations by farm-out arrangements or sale of the relevant tenements.

(b) Contractual Commitment

There are no contracted commitments other than those disclosed above.

Note 23 Controlled entities

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

Note 24 Interests in joint ventures

Joint venture agreements have been entered into with third parties, whereby the Company can earn an interest in exploration areas by expending specified amounts in the exploration areas.

There are no assets employed by these joint ventures and the Group's expenditure in respect of them is brought to account initially as capitalised exploration and evaluation expenditure (refer note 12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 30 June 2010

Note 25 Events occurring after the reporting date

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

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

	2010 \$	2009 \$
Loss after income tax	(431,696)	(605,137)
Depreciation	15,801	35,556
Write off of exploration expenditure	84,837	246,930
Exploration costs capitalised	(877,655)	(600,011)
(Gain)/Loss on sale of Asset	–	(14,913)
Fixed assets written off	–	3,616
Unrealised FX difference	–	(59)
Share-based payments	–	107,289
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in receivables/prepayments	(19,612)	19,316
Increase/(decrease) in payables	5,530	(9,514)
Increase/(decrease) employee provisions	–	(23,055)
Net cash outflow from operating activities	<u>(1,222,795)</u>	<u>(839,982)</u>

Note 27 Earnings per share

(a) Basic earnings per share

	2010 Cents	2009 Cents
Loss attributable to ordinary equity holders of the company	(0.50)	(0.82)

(b) Diluted earnings per share

Loss attributable to ordinary equity holders of the company	(0.50)	(0.82)
---	--------	--------

(c) Loss used in calculation of basic and diluted loss per share

Loss after tax from continuing operations	(431,696)	(605,137)
---	-----------	-----------

	2010 Cents	2009 Cents
Average number of shares used	<u>85,882,138</u>	<u>73,696,580</u>

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

DIRECTORS' DECLARATION

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

- 1 (a) the Consolidated Financial Statements and notes set out on pages 28 to 56 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a);
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the managing director and company secretary for the financial year ended 30 June 2010.

Signed at Perth this 28th day of September 2010.



Peter Hepburn-Brown
Managing Director



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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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



Auditor's opinion

In our opinion:

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Alloy Resources Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

D P McComish
Partner

Perth

28 September 2010

ASX ADDITIONAL INFORMATION

Pursuant to the Listing Requirements of the Australian Securities Exchange, the shareholder information set out below was applicable as 24 September 2010.

A. Distribution of Equity Securities

Distribution	Number of Shareholders
1 – 1,000	6
1,001 – 5,000	24
5,001 – 10,000	104
10,001- 3,000	270
More than 100,000	140
Total	544
Holding less than a marketable parcel	173

B. Substantial Shareholders

An extract of the Company's Register of Substantial Shareholders (who holds 5% or more of the issued capital) is set out below:

Shareholder Name	Issued Ordinary Shares	
	Number of shares	Percentage of shares
Scintilla Strategic Investments Limited	10,850,000	8.54
Sam Graham	7,395,000	5.82
Pagodatree Investments Pty Ltd	6,926,580	5.45

C. Voting Rights

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

ASX ADDITIONAL INFORMATION

D. Twenty Largest Shareholders

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

Shareholder Name	Listed Ordinary Shares	
	Number	Percentage
1 Scintilla Strategic Investments Limited	10,850,000	8.54
2 Sam Graham	7,395,000	5.82
3 Pagodatree Investments Pty Ltd	6,926,580	5.45
4 Nakuru Resources Pty Ltd	6,000,000	4.72
5 Jayson & Janet Meyers	4,500,000	3.54
6 Slade Technologies Pty Ltd	3,954,567	3.11
7 Techinvest Holdings Pty Ltd	3,500,000	2.75
8 Paso Holdings Pty Ltd	2,862,906	2.25
9 Gary Padmore	2,800,000	2.20
10 Auriferous Mining Ltd	2,499,925	1.97
11 GJ Johnson & Co Pty Ltd	2,304,959	1.81
12 Drivecheck Australia 2000 Pty Ltd	2,100,000	1.65
13 Denis John Reynolds	2,000,000	1.57
14 Halson Corporation Pty Ltd	2,000,000	1.57
15 Raul Used	1,911,292	1.50
16 ANZ Nominees Limited	1,732,736	1.36
17 Kevin Ronald Hart	1,500,000	1.18
18 Bannaby Investments Pty Ltd	1,500,000	1.18
19 Merrill Lynch Australia Nominees Pty Ltd	1,500,000	1.18
20 Kim Aaron Muller	1,409,368	1.11
	69,247,333	54.46

This page has been left blank intentionally.



www.alloyres.com