

Alloy

RESOURCES LIMITED

ABN 20 109 361 195

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

Alloy Resources Limited and its Controlled Entities
ABN 20 109 361 195

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

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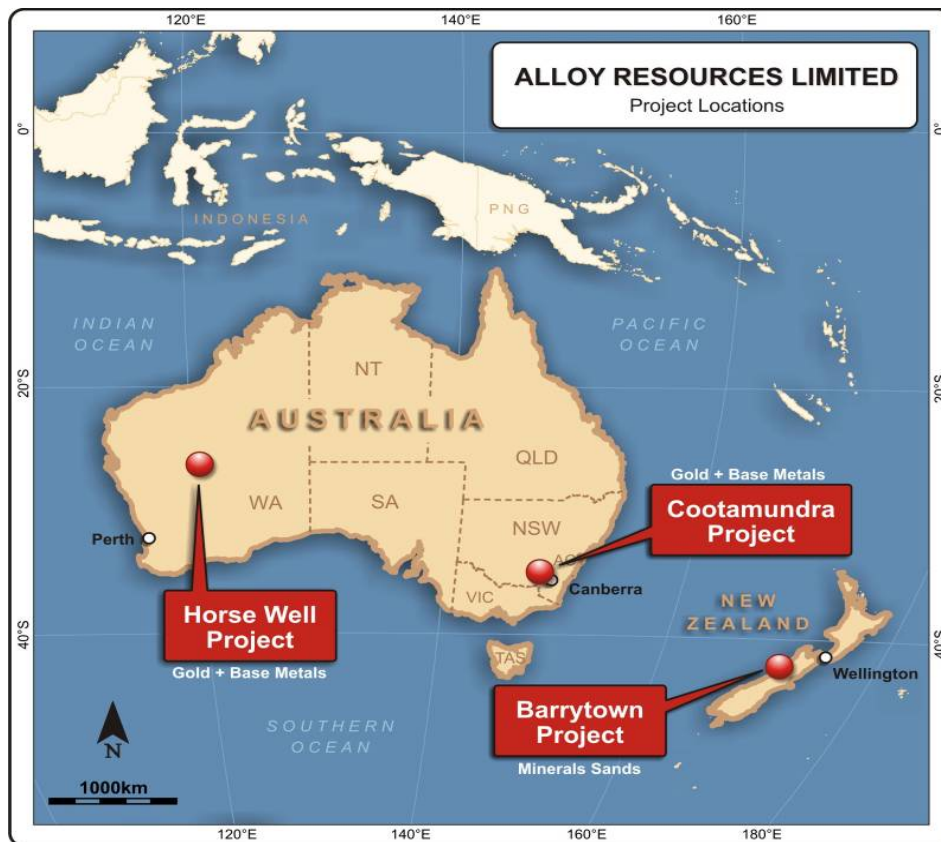
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Review of Operations

Highlights

During the year, Alloy has:

- ❖ Increased its tenement holding around the Horse Well project to 477sq kms
- ❖ Acquired a tenement position in the Cunyu greenstone belt north of Wiluna
- ❖ Applied for an exploration tenement for gold and base metals in the Lachlan Fold Belt, NSW
- ❖ Applied for an exploration permit over the Barrytown Mineral Sands Deposit in New Zealand
- ❖ Withdrawn from Laos and Thailand



Alloy's Projects

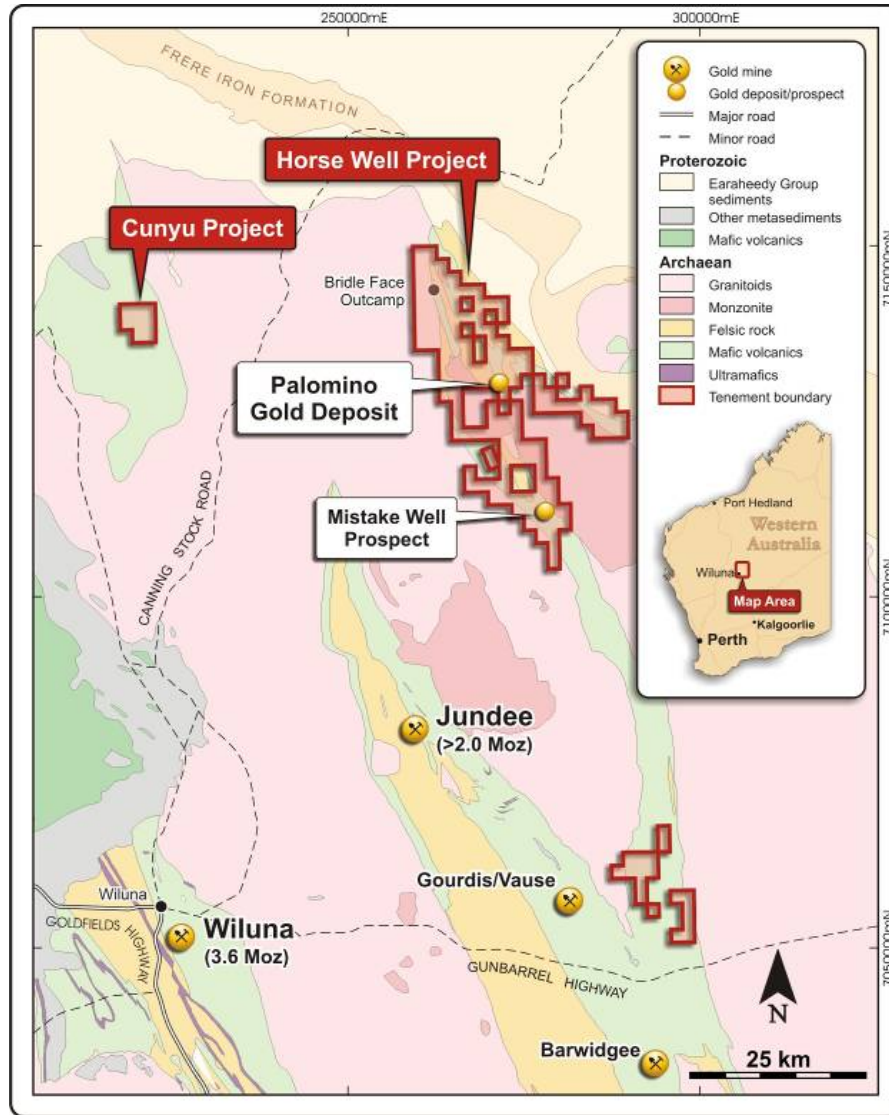
Horse Well Project

Horse Well is located in the Warburton Mineral Field of Western Australia and is approximately 85 kms northeast of the town of Wiluna, with the Cunyu project 80 kms north of Wiluna.

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 / 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.

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.

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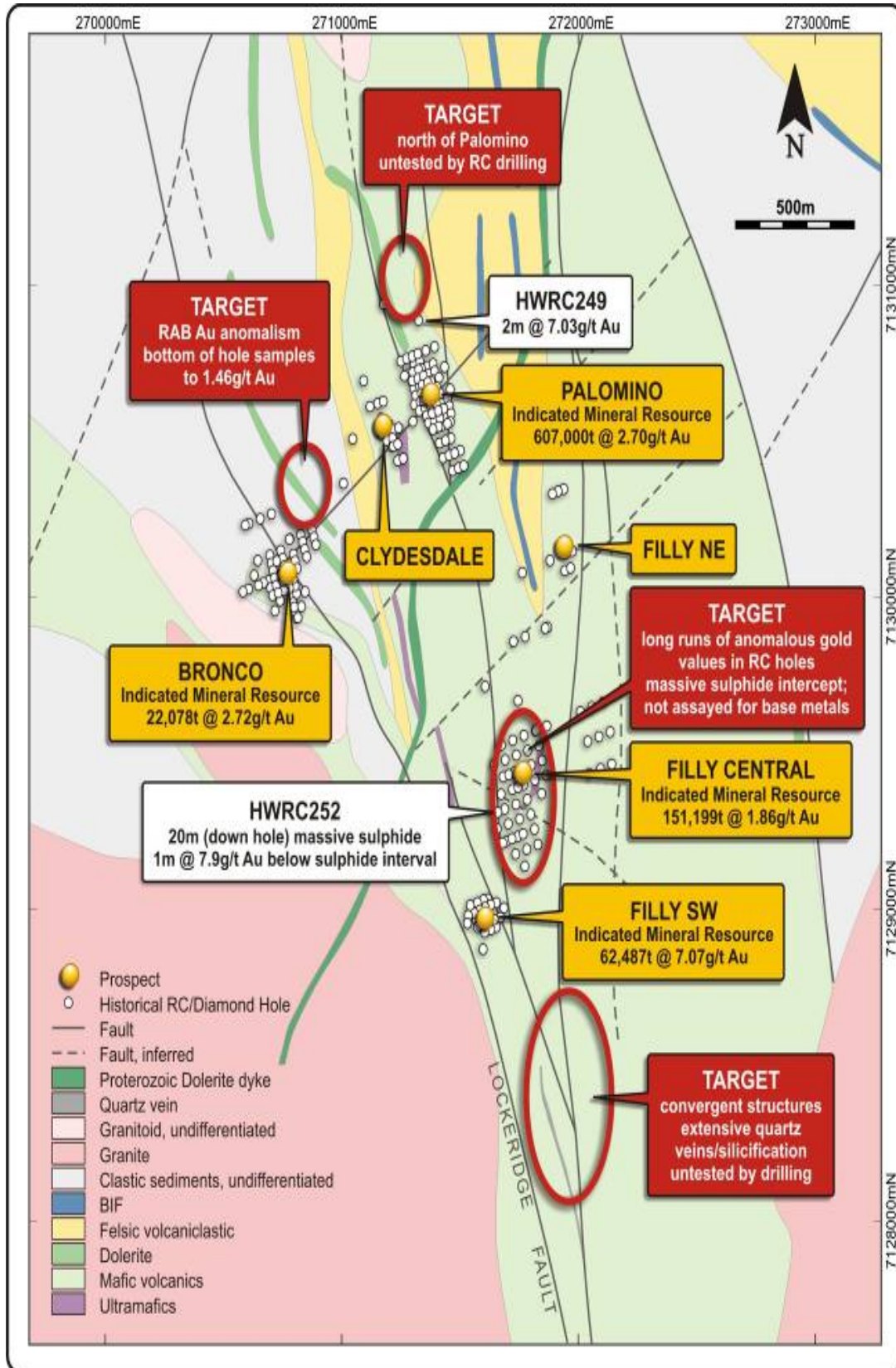
Alloy's Tenements in the Yandal Region of Western Australia

The current gold resources at Horse Well are listed below:

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

Horse Well Exploration

During the data review on Horse Well, a number of exploration targets were identified.

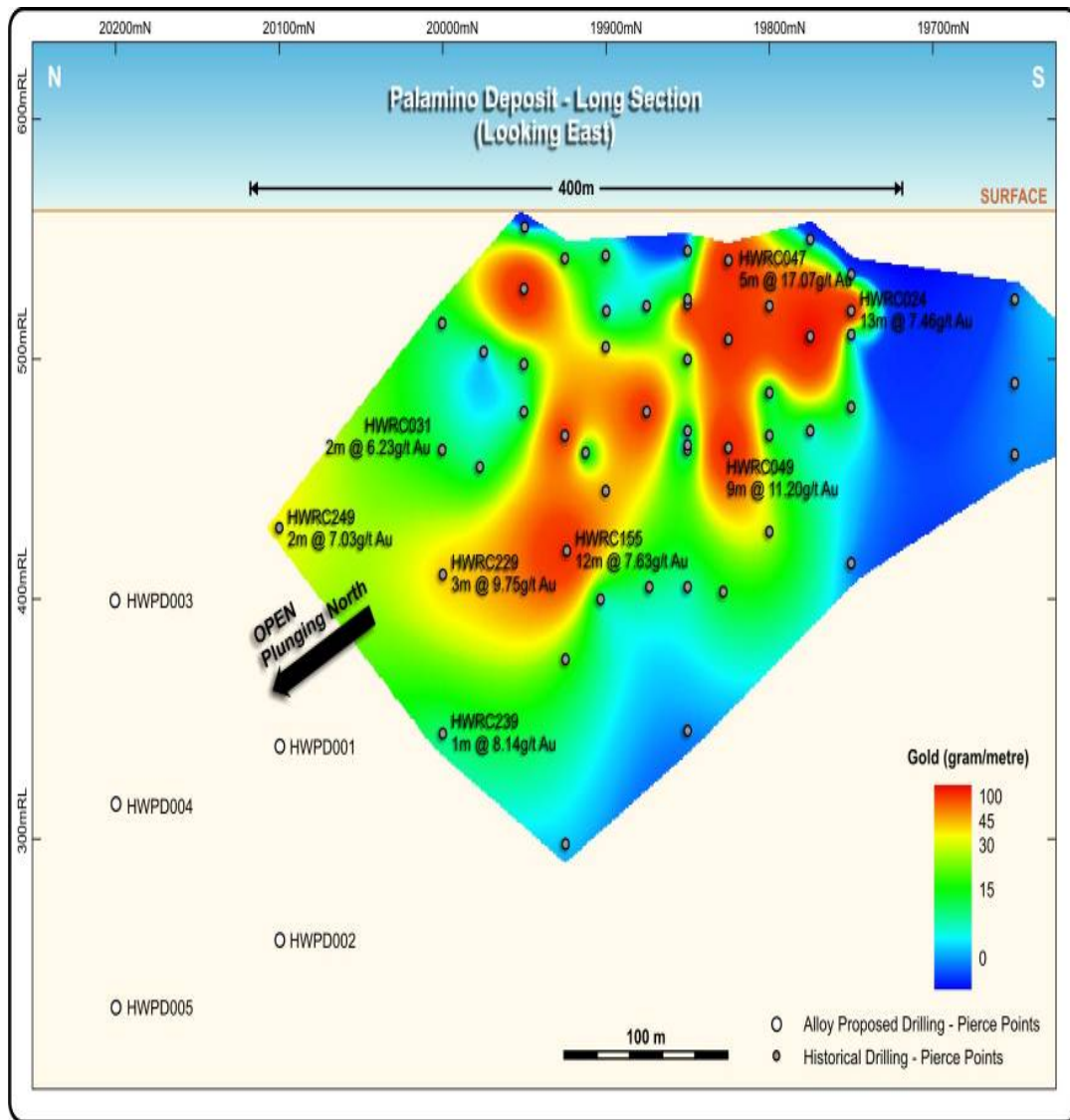


Exploration targets in the Palomino area at Horse well

The main three focus areas for drilling in the coming year are:

1. North of Palomino

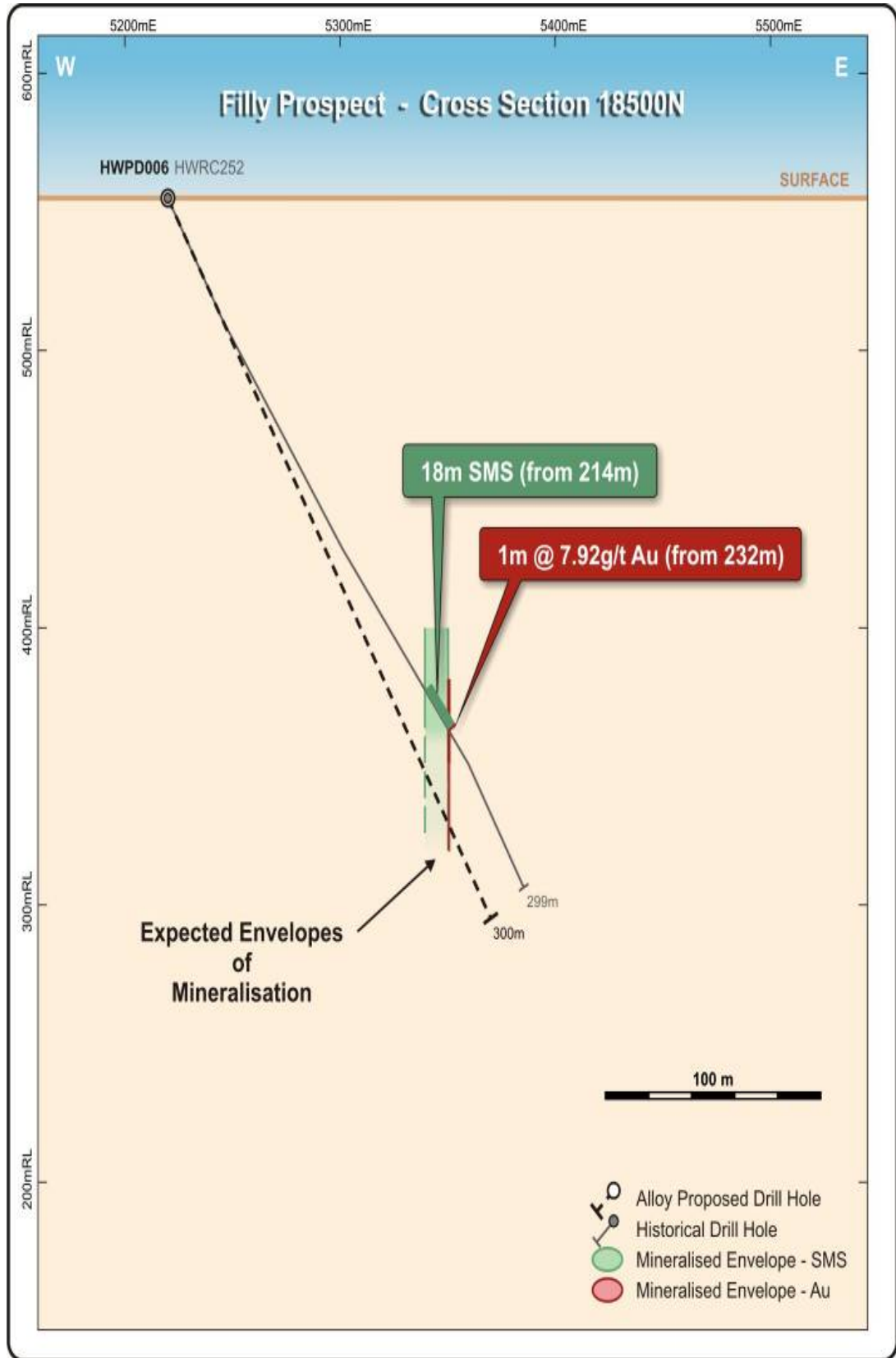
Hole HWRC249 which assayed at 22 m @ 1.48 g/t Au (including 2 m @ 7.03 g/t au) is 100 m along strike from the main ore zone and the area to the north of this hole has not been tested by deep drilling into fresh bedrock. A diamond drilling program is planned for this area to test for down plunge continuity of gold mineralisation and will be completed during 2009–2010.



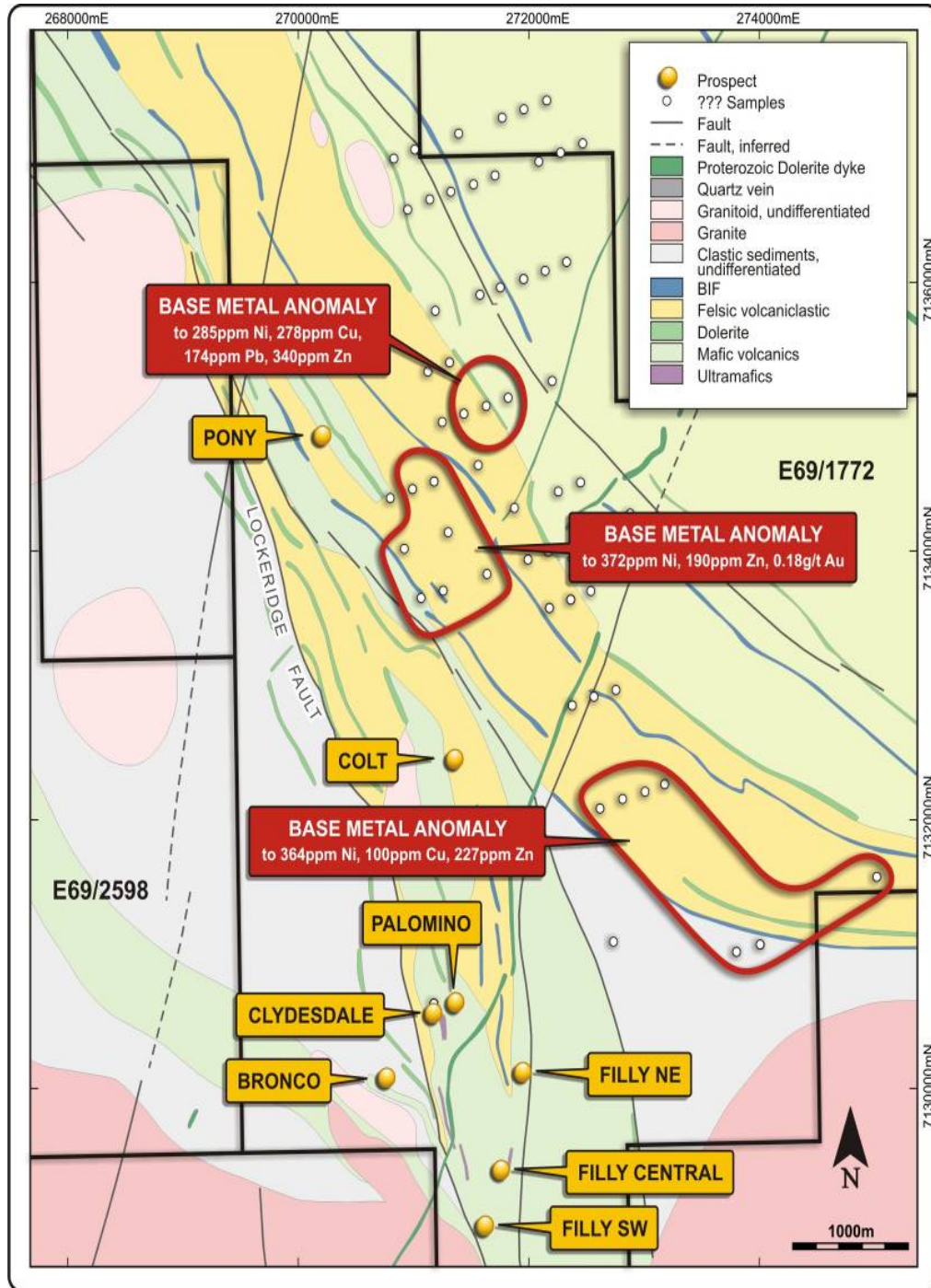
Proposed diamond drilling on the down plunge trend of the Palomino gold deposit.

2. Filly Central

This area is a broad mineralized zone with linear trends of anomalous gold from drilling extending over several hundreds of metres. It also has RC holes with massive to semi-massive sulphide intercepts with no record of base metal assays and 1 m @ 7.9 g/t Au at the base of the sulphide zone, which has not been followed up by previous drilling. Drilling during 2008 highlighted a number of areas which assayed anomalous for base metals, so the focus on future exploration will include base metals along with gold.



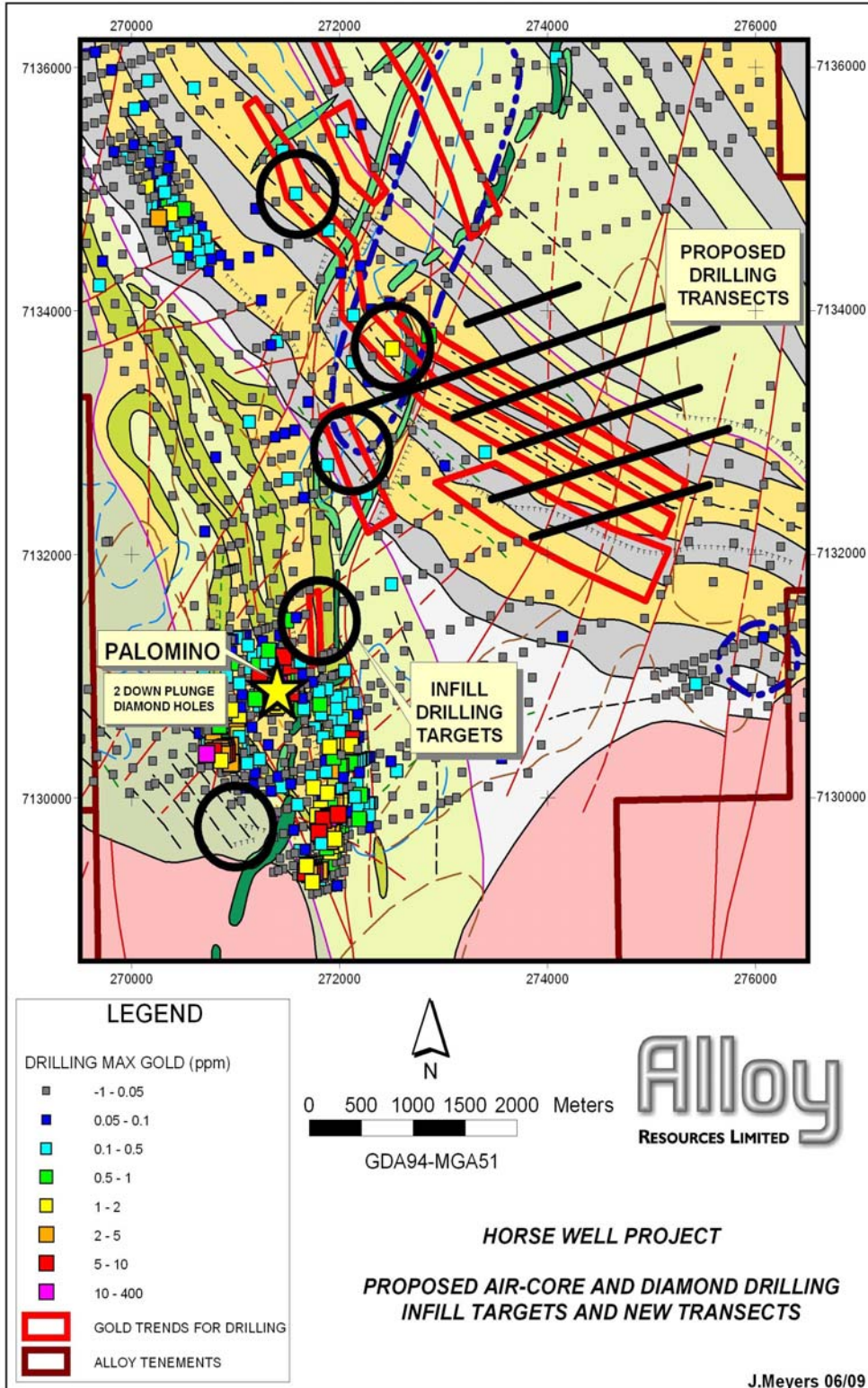
Proposed Drilling at Filly to follow up Gold and Sulphides in previous drilling



Gold and base metal targets in the Filly area

3. Drilling of infill and structural / geochemical targets

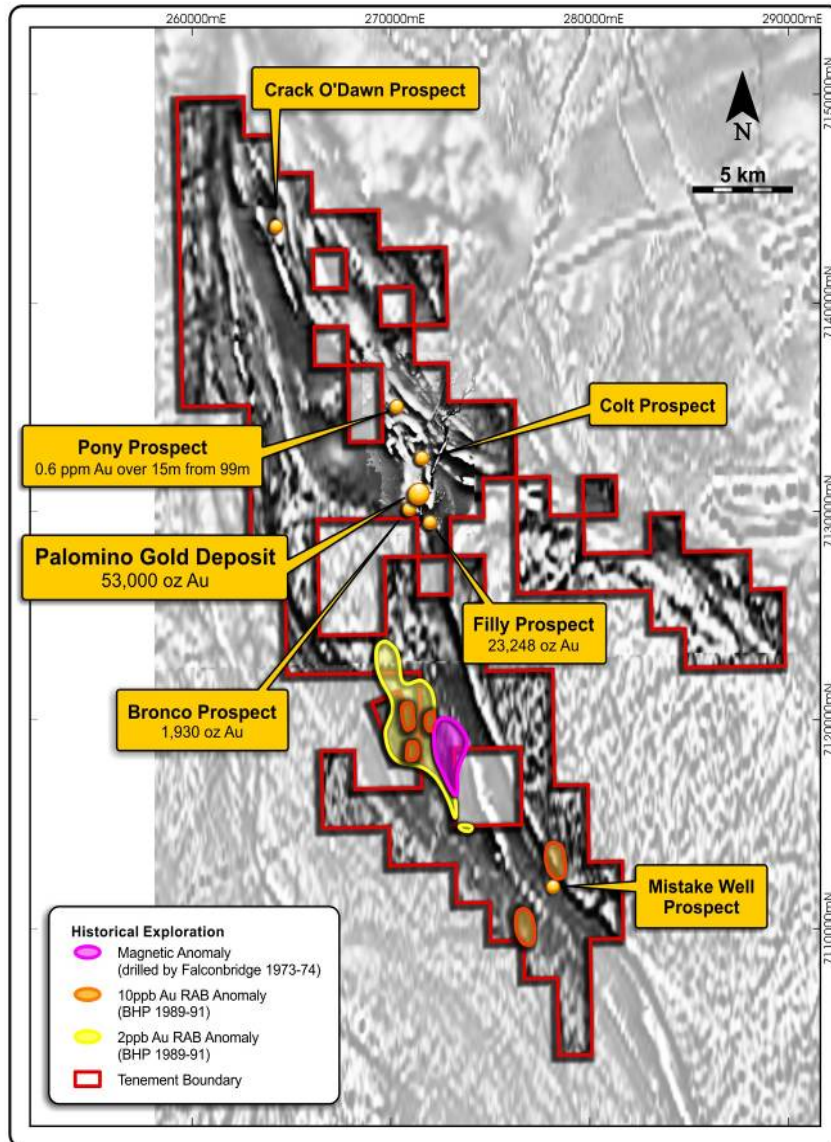
Several targets that sit outside of the Palomino and Filly areas will also be explored during the year. Several broad intercepts of gold mineralization were encountered from the wide spaced, reconnaissance drilling campaign carried out last year. Infill drilling will be carried out around these anomalous drill holes. Reconnaissance drilling will also be carried out along transects crossing favourable geological units and structures, and some of these target areas correspond to Au and As anomalies from geochemical surveying by previous explorers.



Proposed drilling targets and transects for reconnaissance drilling of gold and base metal targets outside of the main Palomino area.

Exploration Activities

During the year a review of all data on the Horse Well area and surrounding tenements was completed. This review resulted in a number of new tenements being acquired.



Alloy's gold prospects within the Horse Well tenements on top of a 1st vertical derivative aeromagnetic image.

New Areas around Horse Well

The Mistake Well prospect and an area to the northwest of Mistake Well were previously explored and anomalous gold areas have been identified. These areas will be followed up during the coming year.

The company has also applied for four tenements approximately 8 kms east of Newmont's Gourdis and Vause open pit mines.

The Cunyu and Crack O'Dawn tenements were acquired by Alloy forming a joint venture with the tenement holder to earn 80% by funding exploration.

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Exploration

Detailed mapping and rock chip sampling will be conducted over these tenements during 2009 – 2010.

Cootamundra Project – NSW

Alloy applied for an exploration licence 10 kms east of Cootamundra in the Lachlan Fold Belt. The application is approximately 133 sq kms. Cootamundra is located 110 kms from Dalton, 120 kms northwest of Canberra and 385 kms south west of Sydney.

The tenements have a number of known historic gold and base metal deposits on them. The Company is waiting for government approval of this Application and anticipates that this approval could be obtained during the December 2009 quarter.

Location and Geology

The Alloy tenement application is 10 kms 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 application 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 application 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 tones 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 10 kms east of Cootamundra,
2. the Cootamundra Manganese deposits, and
3. the Congou Manganese deposits located 7.5 kms north northwest of Wallendbeen.

These areas were last mined in 1957.

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.

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.

Cootamundra Project – NSW(continued)

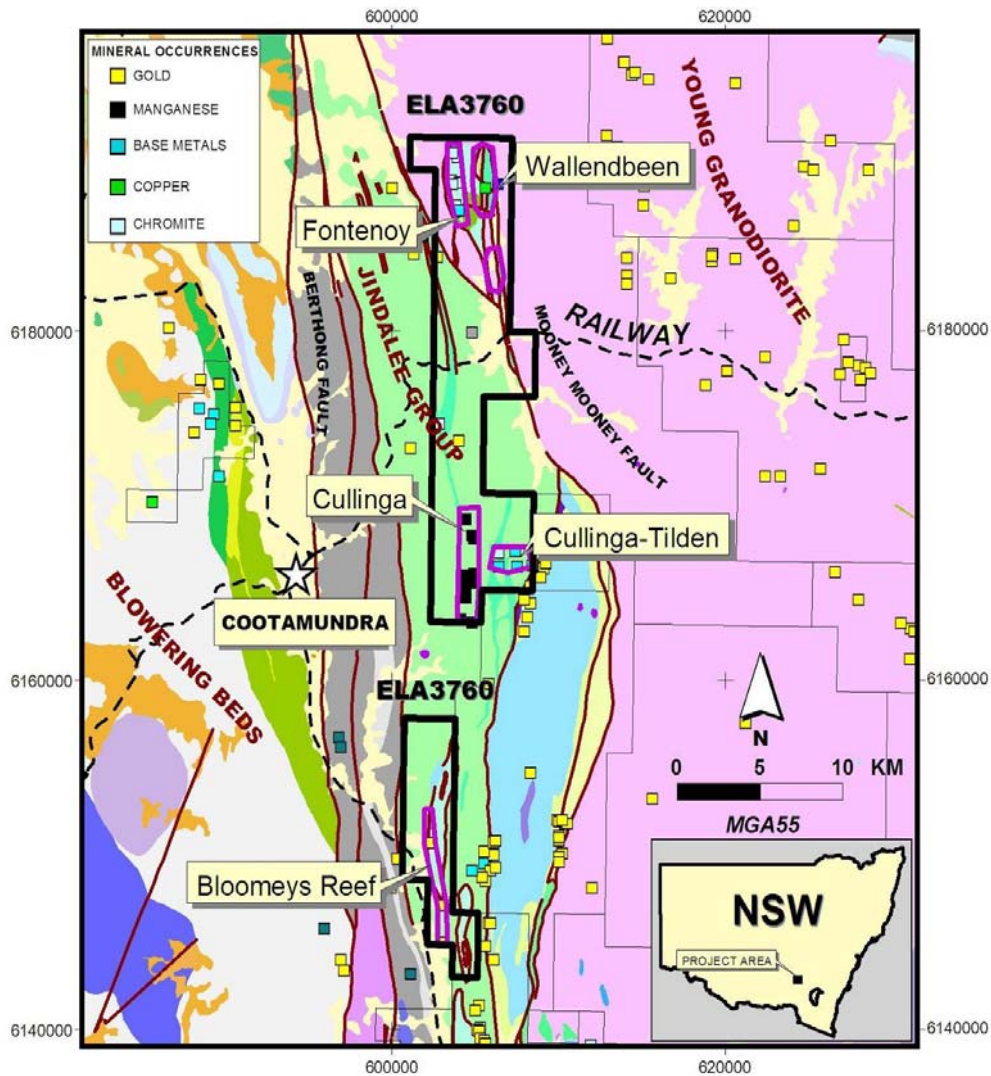
Historic chrome deposits are hosted on Alloy’s northern tenement application. These deposits are:

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

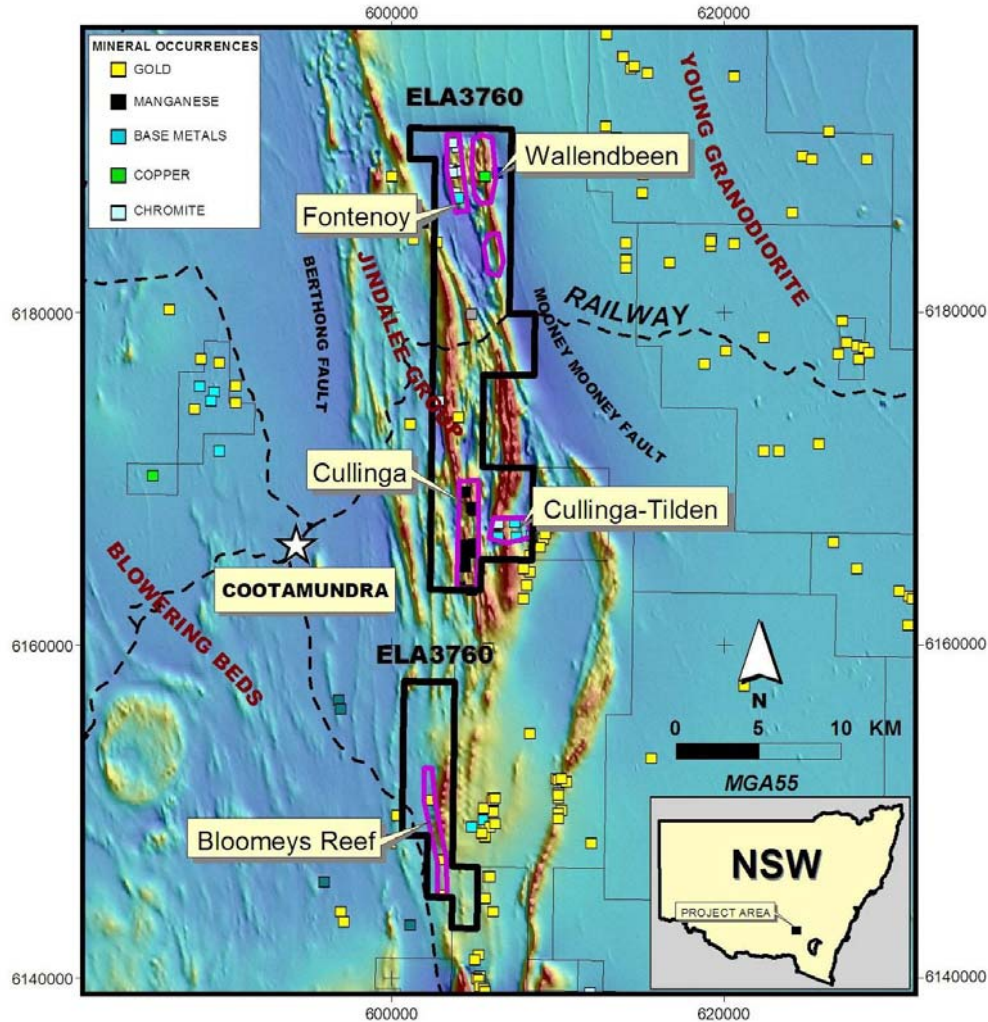
Proposed Exploration

Alloy plans to commence exploration by:

1. detailed interpretation of previous 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.



Locations of Alloy’s ELA3760 and mineral prospects on NSW Geological Survey geology with all mineral occurrence locations.



Locations of Alloy's ELA3760 and existing prospects on total magnetic intensity image with all mineral occurrence locations.

Barrytown Project – New Zealand

Alloy Resources Limited has applied for an exploration permit over the Barrytown Mineral Sands deposit located on the South Island of New Zealand, 28 kms north of the port of Greymouth. The Company is waiting for government approval of this permit and anticipates that this approval could be obtained during the December 2009 quarter.

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 1.5 km wide within a coastal embayment that stretches over 17 km from Razorback Point in the north to Seventeen Mile Bluff in the south. Most of the area lies below an elevation of 20 m 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.

Barrytown Project – New Zealand (continued)

The flats contain marine placer mineral concentrations of ilmenite gold and other associated heavy minerals in minor amounts. The ilmenite bearing sands are concentrated into a series of strand lines developed along the beachfront, and along sediment barriers from longshore drift and local stream deposits that have become stranded as the coastline prograded seaward; with lagoonal deposits formed on the eastern side. This has had the effect of elongate higher-grade zones on the former strand lines being surrounded by lower grade finer sands.

Ilmenite and associated minerals, such as zircon, titanomagnetite, garnet, cassiterite, and traces of monazite, rutile, and gold, also occur in the marine placers. These minerals are considered to have been derived mainly from the schist terrane to the east of the Alpine Fault.

A trace amount of alluvial gold is also present as a fine-grained component of the ilmenite bearing sands at Barrytown. Historical gold mining produced over 62,000 oz from terrace gravels and beaches. The gold is typical of the West Coast beach deposits that are essentially reworked detrital gold, being continuously washed downstream by rivers and reconcentrated in the active surf zone with other heavy minerals, such as ilmenite, in lenticular “blacksand leads.”

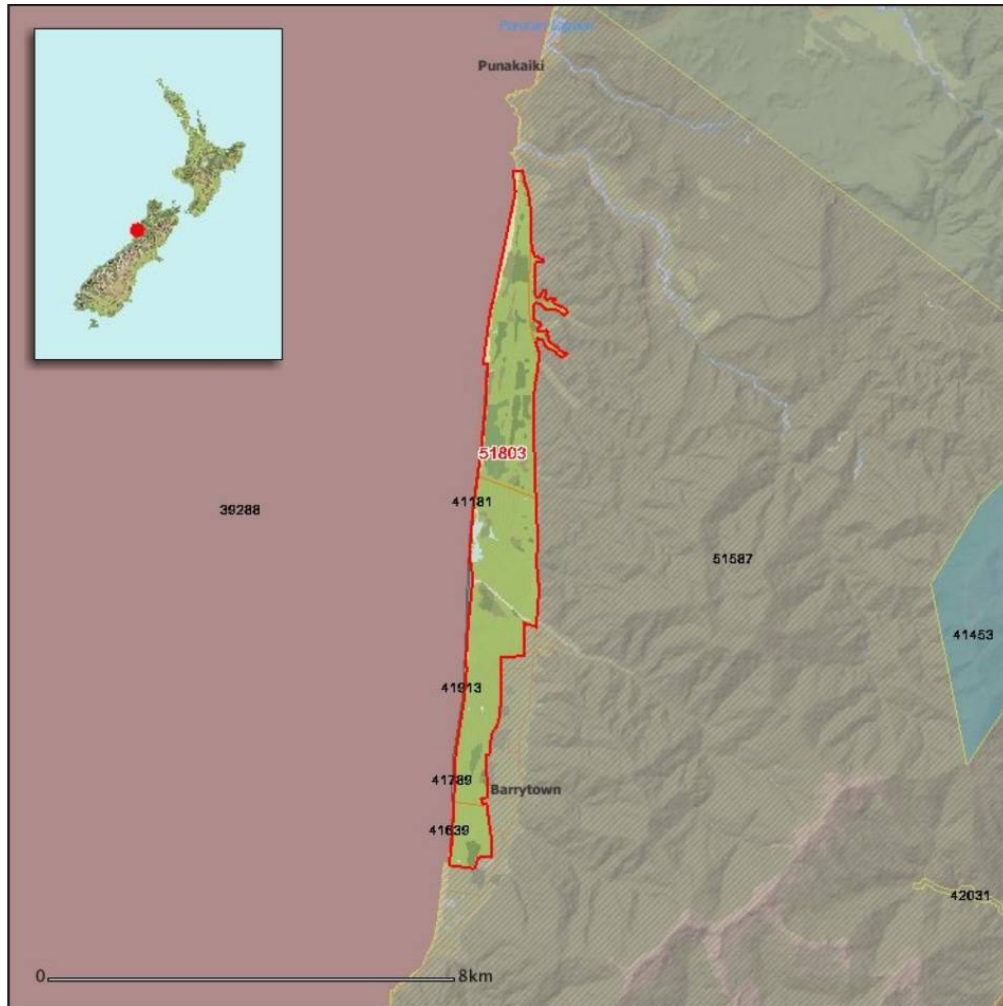
The company plans to engage an independent expert to undertake a review of the historical exploration data with a view to developing an exploration target and or a JORC Code compliant resource statement for the project.

Proposed Exploration

On granting of the exploration permit, Alloy intends to:

- ❖ Review historical exploration and mining feasibility data to focus and develop an exploration target/resource statement.
- ❖ Review historical metallurgical test work on ilmenite and the recoveries of the zircon, rutile and gold.
- ❖ Review application of new technologies to upgrade TiO₂ from ilmenite and recover gold and other minerals during production of ilmenite concentrate.
- ❖ Design a sampling and metallurgical testing program based on the outcome of the above

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Alloy Resources' exploration permit application 51803 covering 1,352 Ha of the Barrytown Flats mineral sands deposits.

Laos Joint Venture Project

On the 12th of September 2009, Alloy Resources Limited received formal advice from the Laos Ministry of Planning and Investment regarding its application for a mineral concession in the Xieng Khouang province. The advice stated that the Prime Minister's office had reviewed the company's application, but decided to award the concession area to another company.

Based on this decision, Alloy has closed its representative office and is in the process of completely withdrawing from Laos.

Thailand Joint Venture Project

Alloy Resources Limited has decided to withdraw from Thailand and is in the process of dissolving its Thai joint venture company, Nam Thong Mining Co Ltd.

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 Member 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.

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Schedule of Tenements

Project (All tenements registered to Alloy Resources Limited except where noted below)	Tenement	Alloy Equity
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%
Registered Applicant	ELA69/2575	100%
Registered Applicant	ELA69/2598	100%
Registered Applicant	ELA53/1466	100%
Registered Applicant	ELA53/1471	100%
Registered Applicant	ELA53/1484	100%
Registered Applicant	ELA53/1485	100%
Registered Applicant	ELA53/1486	100%
Registered Applicant	ELA53/1488	100%
Registered Applicant	ELA53/1489	100%
Registered Applicant	ELA3760	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		
Registered Applicant	EP51803	100%
Cootamundra Project - NSW		
Registered Applicant	ELA3760	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 consolidated entity.

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 security holders 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 approve 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 2009.

Corporate Governance Statement (continued)

Corporate Governance Council Principle 1 (continued)

Evaluation of Senior Executive Performance (continued)

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 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.

Corporate Governance Statement (continued)

Corporate Governance Council Principle 2 (continued)

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 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 Statement (continued)

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 financial statements of Company 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.

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 Statement (continued)

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 is responsible for implementing and maintaining a framework of control and accountability systems to enable risk to be assessed and managed.

Risk management and the internal control system

The Managing Director and Company Secretary, with the assistance of senior executives as required, has 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.

Corporate Governance Statement (continued)

Corporate Governance Council Principle 7 (continued)

Risk management and the internal control system (continued)

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 financial statements of 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 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 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.

Corporate Governance Statement (continued)

Corporate Governance Council Principle 8 (continued)

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.

Alloy Resources Limited and its Controlled Entities
ABN 20 109 361 195

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 2009.

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 46

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 52

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 Kasbah Resources Limited .Peter is a former non executive director of Gleneagle Gold Limited (resigned 1 May 2007). 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 45

Appointed a Director on 2 June 2004.

Jayson holds a PhD in Geophysics, MSc Geochemistry, BSc in Geology, is a member 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 18 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 47

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.

Alloy Resources Limited and its Controlled Entities
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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:

<i>Director</i>	<i>Directors' Interests in Ordinary Shares</i>	<i>Directors' Interests in Unlisted Options (Vested)</i>
Peter Harold	500,000	1,000,000
Peter Hepburn-Brown	4,053,119	1,000,000
Jayson Meyers	4,000,000	1,000,000
Kevin Hart	1,025,000	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 2009 and the number of meetings attended by each Director was:

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

Principal Activities

The principal activities of the consolidated entity 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 \$605,137 (2008: \$4,975,402). Included in the loss is an amount of \$246,930 (2008: \$4,160,076) 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 consolidated entity's activities during the financial year is set out in the section titled "Review of Operations" accompanying the Financial Statements.

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Directors' Report (continued)

Review of Activities (continued)

Financial Position

At the end of the financial year the consolidated entity had \$1,582,600 (2008: \$827,099) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure was \$1,207,900 (2008: \$1,010,618).

Expenditure on exploration and acquisition of tenements during the year was \$444,212 (2008: \$1,435,274).

Impact of Legislation and other External Requirements

There has been no impact on the consolidated entity 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 consolidated entity during the financial year.

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. On 6 April 2009 the 35,000,000 listed options exercisable at 20 cents each expired and on 30 June 2009 the 200,000 unlisted employee options exercisable at 30 cents each expired unexercised.

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:

<i>Number of Options Granted</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Directors Report (continued)

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 consolidated entity 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:

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Directors Report (continued)

Remuneration Report (audited) (continued)

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.

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

2009	Short-term		Post Employment	Share- based payment	Total	Perform ance Related
Directors	Base Emolument	Other Benefits	Superannuation Contributions	Options		
	\$	\$	\$	\$	\$	%
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	

2008	Short-term		Post Employment	Share- based payment	Total	Performa nce Related
Directors	Base Emolument	Other Benefits	Superannuation Contributions	Options		
	\$	\$	\$	\$	\$	%
Peter Harold	30,000	-	-	37,551	67,551	56
Jayson Meyers	35,000	237,150	21,344	37,551	331,045	11
Peter Hepburn-Brown	35,000	156,913	14,000	37,551	243,464	15
Kevin Hart	30,000	-	-	37,551	67,551	56
TOTAL	130,000	394,063	35,344	150,204	709,611	

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Directors Report (continued)

Remuneration Report (audited) (continued)

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:

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

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 previous reporting period and details on options that were vested during the reporting period are as follows:

	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
Directors						
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. Options granted during 2008 were provided at no cost to the recipients.

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.

Alloy Resources Limited and its Controlled Entities
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Directors Report (continued)

Remuneration Report (audited) (continued)

Exercise of options granted as compensation

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

Analysis of options and rights over equity instruments granted as compensation

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

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

Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person, detailed below.

	Granted in	Value of Options	
	2008 \$ (A)	Exercised in year \$	Lapsed in year \$
Peter Harold	64,374	-	-
Peter Hepburn-Brown	64,374	-	-
Jayson Meyers	64,374	-	-
Kevin Hart	64,374	-	-
	257,496	-	-

- (A) The value of options granted in the year is the fair value of the options calculated at grant date using a Black-Scholes option-pricing model. The total value of the options granted is included in the table above. This amount is allocated to remuneration over the vesting period (i.e. in years 27 November 2007 to 27 November 2008).

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

Alloy Resources Limited and its Controlled Entities
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Officer's Indemnities and Insurance (continued)

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.

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under Section 307C of the Corporations Act is set out on page 32 and forms part of the director's report for the financial year ended 30 June 2009.

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

DATED at Perth this 30th day of September 2009.



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 2009 there have been:

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

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink that reads 'D P McComish'.

D P McComish
Partner

Perth

30 September 2009

Alloy Resources Limited and its Controlled Entities
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Income Statements
For the financial year ended 30 June 2009

	Note	Consolidated 2009 \$	2008 \$	Company 2009 \$	2008 \$
Other income from continuing operations	4	91,835	110,474	91,835	110,474
Directors Fees		(95,000)	(130,000)	(95,000)	(130,000)
Depreciation and amortisation		(35,556)	(39,853)	(35,556)	(39,807)
Marketing and promotion expenses		-	(21,816)	-	(21,816)
Occupancy expenses		(31,725)	(41,855)	(31,725)	(41,855)
Accounting and administrative expenses		(139,650)	(198,693)	(139,209)	(198,693)
Employee expenses		(370,025)	(781,385)	(363,052)	(781,385)
Employee expenses recharged To Exploration		211,261	493,555	211,261	493,555
Insurances		(28,770)	(27,319)	(28,770)	(27,319)
Finance costs		-	(7,838)	-	(7,838)
Other expenses		(24,236)	(41,101)	(24,231)	(26,039)
Loss on sale of Comet Project		-	(129,495)	-	(129,495)
Gain on sale of Asset		14,913	-	14,913	-
Impairment loss on investment	10	-	-	(9,628)	(25,221)
Exploration costs written off and expensed	12	(246,930)	(4,160,076)	(246,930)	(4,160,076)
Foreign exchange gain/(loss)		48,746	-	48,746	-
Net loss before income tax		(605,137)	(4,975,402)	(607,346)	(4,985,516)
Income tax expense	6	-	-	-	-
Loss attributable to members of the parent for the year	15	(605,137)	(4,975,402)	(607,346)	(4,985,516)
		Cents	Cents		
Basic earnings/(loss) per share	27	(0.82)	(6.84)		
Diluted earnings/(loss) per share	27	(0.82)	(6.84)		

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

Alloy Resources Limited and its Controlled Entities
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Balance Sheets
As At 30 June 2009

		Consolidated		Company	
	Note	2009	2008	2009	2008
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	7	1,582,600	827,099	1,582,304	825,473
Trade and other receivables	8(a)	2,348	1,603,024	2,348	1,603,024
Other current assets	9	15,412	18,179	15,412	18,179
Total current assets		1,600,360	2,448,302	1,600,064	2,446,676
Non-current assets					
Investment	10	-	-	350,000	359,628
Trade and other receivables	8(b)	9,091	7,709	849,067	660,628
Property, plant and equipment	11	16,518	70,201	16,136	69,878
Capitalised mineral exploration and evaluation expenditure	12	1,207,900	1,010,618	8,844	-
Total non-current assets		1,233,509	1,088,528	1,224,047	1,090,134
Total assets		2,833,869	3,536,830	2,824,111	3,536,810
Current liabilities					
Trade and other payables	13	62,219	270,335	57,673	270,315
Total current liabilities		62,219	270,335	57,673	270,315
Total liabilities		62,219	270,335	57,673	270,315
Net assets		2,771,650	3,266,495	2,766,438	3,266,495
Equity					
Contributed equity	15	9,168,515	9,168,515	9,168,515	9,168,515
Reserves	15	284,086	173,794	282,376	175,087
Accumulated losses	15	(6,680,951)	(6,075,814)	(6,684,453)	(6,077,107)
Total equity		2,771,650	3,266,495	2,766,438	3,266,495

The above balance sheet should be read in conjunction with the accompanying notes.

Alloy Resources Limited and its Controlled Entities
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Statements of Changes in Equity
For the financial year ended 30 June 2009

	Note	Consolidated 2009 \$	2008 \$	Company 2009 \$	2008 \$
Total equity at the beginning of the financial year		3,266,495	7,628,445	3,266,495	7,637,266
Recognised income and expense:					
Loss for the year	15	(605,137)	(4,975,402)	(607,346)	(4,985,516)
Transactions with equity holders in their capacity as equity holders:					
Convertible note conversion		-	439,658	-	439,658
Share based payments	15	107,289	175,087	107,289	175,087
Foreign currency translation reserve	15	3,003	(1,293)	-	-
Total equity at the end of the financial year	15	2,771,650	3,266,495	2,766,438	3,266,495

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

Alloy Resources Limited and its Controlled Entities
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Cash Flow Statements
For the financial year ended 30 June 2009

		Consolidated		Company	
	Note	2009	2008	2009	2008
		\$	\$	\$	\$
Cash flows from operating activities					
Interest received		91,802	110,474	91,802	110,474
Payments to suppliers and employees		(331,773)	(573,547)	(330,443)	(558,040)
Exploration expenditure		(600,011)	(924,386)	(411,662)	(582,967)
Net cash used in operating activities	26	(839,982)	(1,387,459)	(650,303)	(1,030,533)
Cash flows from investing activities					
Part proceeds from sale of Comet Project		-	150,000	-	150,000
Proceeds from sale of property, plant and equipment		30,000	410	30,000	-
Proceeds from sale of prospects		1,425,000	-	1,425,000	-
Proceeds from Security deposit		141,000	-	141,000	-
Payments for property, plant and equipment		(517)	(3,995)	(517)	(3,995)
Payments to acquire tenements		-	(368,386)	-	(368,386)
Net cash from (used in) investing activities		1,595,483	(221,971)	1,595,483	(222,381)
Cash flows from financing activities					
Loan to controlled entity		-	-	(188,349)	(334,921)
Net cash used in financing activities		-	-	(188,349)	(334,921)
Net increase/(decrease) in cash held		755,501	(1,609,430)	756,831	(1,587,835)
Cash and cash equivalents at 1 July		827,099	2,436,529	825,473	2,413,308
Cash and cash equivalents at 30 June	7(a)	1,582,600	827,099	1,582,304	825,473

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

Alloy Resources Limited and its Controlled Entities
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Notes to the Financial Statements
For the financial year ended 30 June 2009

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 financial report includes separate financial statements for Alloy Resources Limited as an individual entity and the consolidated entity consisting of Alloy Resources Limited and its subsidiaries ("Group").

The financial report was authorised for issue by the directors on 30 September 2009.

(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 and the financial report of the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

Early adoption of standards

The Group has not elected to adopt any standards early. Standards available for early adoption are not expected to have any impact on the financial results of the company and consolidated entity.

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 2009, but have not been applied in preparing this report:

Reference	Title / Summary	Application date of standard (For reporting periods starting on or after this date)
AASB 8	<i>Operating Segments</i> . New standard replacing AASB 114 <i>Segment Reporting</i> , which adopts a management reporting approach to segment reporting.	1 January 2009
AASB 2007-3	<i>Amendments to Australian Accounting Standards arising from AASB 8</i> .	1 January 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	<i>Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards</i> . Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009

Alloy Resources Limited and its Controlled Entities
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Notes to the Financial Statements
For the financial year ended 30 June 2009

Early adoption of standards (Continued)

Reference	Title / Summary	Application date of standard (For reporting periods starting on or after this date)
AASB 2008-1	<i>Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations.</i>	1 January 2009
	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	
AASB (Revised)	127 <i>Consolidated and Separate Financial Statements.</i> Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009
AASB 2008-3	<i>Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127.</i> Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009
AASB 2008-5	<i>Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009
AASB 2008-6	<i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 July 2009
AASB 2008-7	<i>Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate.</i> The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009

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Historical cost convention

These 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 financial statements 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 financial statements, are disclosed in note 2.

(b) Principles of consolidation

Subsidiary companies

The 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.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Alloy Resources Limited.

Transactions Eliminated on Consolidation

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

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(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 financial statements, and to unused tax losses.

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(e) Income tax (continued)

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.

(f) Impairment

The carrying amounts of the consolidated entity's assets, other than deferred tax assets (see accounting policy (e)), are reviewed at each balance sheet 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 balance sheet.

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(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 income statement 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 balance sheet 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)).

(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:

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

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(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 balance sheet 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.

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

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(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 balance sheet.

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.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments included to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost less any impairment losses. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortization process.

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(q) Investments and other financial assets (continued)

(iii) Available-for-sale investments

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

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(r) Convertible Notes

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that related to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest rate method.

(s) 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.

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(s) Foreign Currency (continued)

(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 financial statements of foreign operations in hyperinflationary economies, their 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.

(t) 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 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.

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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

Business segments

The Group is involved in the mineral exploration and resource development sector.

Geographical segments

The Group is organised on a national basis with exploration and development interests within Australia.

Note 4 Other income

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Other income</i>				
Interest received	91,835	110,474	91,835	110,474
	91,835	110,474	91,835	110,474

Note 5 Loss for the year

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Loss before income tax includes the following specific expenses:</i>				
Depreciation:				
Computer Software	5,575	7,295	5,575	7,295
Office Equipment	4,523	4,856	4,523	4,810
Site Equipment	361	561	361	561
Motor vehicles	25,097	27,141	25,097	27,141

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Notes to the Financial Statements
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Note 5 Loss for the year (continued)

Rental expenses on operating leases	31,725	35,579	31,725	35,579
Contributions to defined superannuation funds	22,469	71,274	22,469	71,274

Note 6 Income tax

Note	Consolidated 2009 \$	2008 \$	Company 2009 \$	2008 \$
(a) Reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	(605,137)	(4,975,402)	(607,346)	(4,985,516)
Tax at the Australian rate of 30% (2008 – 30%)	(181,541)	(1,492,621)	(182,204)	(1,495,655)
<i>Tax effect of permanent differences:</i>				
Non-deductible expenses	19,006	-	(37,526)	-
Net future income tax benefit not brought to account	162,535	1,492,621	219,730	1,495,655
	-	-	-	-

(b) Deferred tax – Balance Sheet

<i>Liabilities</i>				
Prepayments	(4,624)	(5,454)	(4,624)	(5,454)
Capitalised Exploration and Evaluation expenditure	(362,370)	(303,185)	(2,653)	-
	(366,994)	(308,639)	(7,277)	(5,454)
<i>Less: Assets</i>				
Accrued expenses	4,553	2,942	4,553	2,942
Employee leave provisions	-	6,224	-	6,224
Deductible equity raising costs	68,064	136,127	68,064	136,127
Tax losses available to offset against future taxable income (a)	294,377	163,346		-
Other deferred tax assets available to offset against future taxable income (b)	-	-	(65,340)	(139,839)
	366,994	308,639	7,277	5,454
	-	-	-	-

(a) Tax losses

The balance of potential deferred tax assets attributable to tax losses carried forward of \$2,853,399 (2008: \$2,477,604) in respect of the Group and \$2,909,816 (2008: \$2,835,804) in respect of the Company 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.

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Note 6 Income tax (continued)

(b) Unrecognised temporary differences

As at 30 June 2009, the Company has temporary differences of \$65,340 (2008: \$139,839) for which no tax asset has been recognised.

All unused tax losses were incurred by Australian entities.

Note 7 Current assets - Cash and cash equivalents

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank and in hand	18,408	122,445	18,112	120,819
Deposits at call	1,564,192	704,654	1,564,192	704,654
	1,582,600	827,099	1,582,304	825,473

(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	1,582,600	827,099	1,582,304	825,473

(b) Cash at bank

These attract interest at 3.81% (2008: 5.90%).

(c) Deposits at call

The deposits are bearing floating interest rates between 3.24% and 6.28% (2008: 6.29% and 7.33%).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 18.

Note 8 Trade and other receivables

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>a) Current</i>				
GST recoverable	2,348	37,024	2,348	37,024
Other receivables	-	1,566,000	-	1,566,000
	2,348	1,603,024	2,348	1,603,024
<i>b) Non-current</i>				
Licences	9,091	7,709	-	-
Loan to controlled entity	-	-	849,067	660,628
	9,091	7,709	849,067	660,628

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Note 8 Trade and other receivables (continued)

The loan to the 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 holding 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.

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

	Consolidated		Company	
	2009	2008	2009	2008
Prepayments	15,412	18,179	15,412	18,179

Note 10 Investment

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Interest in controlled entity - at cost:				
Eskay Pty Ltd (a)	-	-	350,000	350,000
Nam Thong Mining Co Ltd	-	-	34,849	34,849
Less: Impairment provision – Nam Thong Mining Co Ltd (b)	-	-	(34,849)	(25,221)
	-	-	350,000	359,628

(a) The ultimate recoupment of this investment is dependent on successful development and commercial exploitation or alternatively, sale of the underlying mineral exploration properties.

(b) The investment of 49.75% of the share capital of Nam Thong Mining Co Ltd was acquired on 30 June 2007. The investment has been fully written off at year-end due to the Company withdrawing its interest in the subsidiary subsequent to the current financial year-end and it is considered that there is no recoverable value.

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Note 11 **Property, plant and equipment**

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
<i>Computer Software</i>				
At cost	21,937	21,937	21,937	21,937
Accumulated depreciation	(21,882)	(16,307)	(21,882)	(16,307)
	55	5,630	55	5,630
<i>Office equipment and fittings</i>				
At cost	16,749	20,213	16,367	19,845
Accumulated depreciation	(13,699)	(10,120)	(13,699)	(10,075)
	3,050	10,093	2,668	9,770
<i>Motor vehicles</i>				
At cost	54,274	108,564	54,274	108,564
Accumulated depreciation	(41,234)	(55,339)	(41,234)	(55,339)
	13,040	53,225	13,040	53,225
<i>Site equipment</i>				
At cost	1,442	2,241	1,442	2,241
Accumulated depreciation	(1,069)	(988)	(1,069)	(988)
	373	1,253	373	1,253
	16,518	70,201	16,136	69,878
Reconciliation				
<i>Computer Software</i>				
Net book value at 1 July	5,630	12,925	5,630	12,925
Additions	-	-	-	-
Depreciation	(5,575)	(7,295)	(5,575)	(7,295)
Net book value at 30 June	55	5,630	55	5,630
<i>Office equipment and fittings</i>				
Net book value at 1 July	10,093	12,357	9,770	10,585
Additions	517	3,995	517	3,995
Disposal	(3,096)	(1,403)	(3,096)	-
Depreciation	(4,523)	(4,856)	(4,523)	(4,810)
Foreign exchange rate difference	59	-	-	-
Net book value at 30 June	3,050	10,093	2,668	9,770
<i>Motor vehicles</i>				
Net book value at 1 July	53,225	80,366	53,225	80,366
Disposal	(15,087)	-	(15,087)	-
Depreciation	(25,098)	(27,141)	(25,098)	(27,141)
Net book value at 30 June	13,040	53,225	13,040	53,225
<i>Site equipment</i>				
Net book value at 1 July	1,253	1,814	1,253	1,814
Disposals	(519)	-	(519)	-
Depreciation	(361)	(561)	(361)	(561)
Net book value at 30 June	373	1,253	373	1,253

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

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Note 12 Capitalised mineral exploration and evaluation expenditure

	Consolidated		Company	
	2009	2008	2009	2008
<i>In the exploration and evaluation phase</i>	\$	\$	\$	\$
Cost brought forward	1,010,618	5,439,915	-	4,763,990
Exploration expenditure incurred during the year	444,212	1,066,888	255,774	732,195
Exploration expenditure acquired during the year	-	368,386	-	368,386
Exploration expenditure sold during the year (Comet Project)	-	(1,704,495)	-	(1,704,495)
Exploration expenditure written off during the year (i)	(246,930)	(4,160,076)	(246,930)	(4,160,076)
Cost carried forward	1,207,900	1,010,618	8,844	-

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.

(i) The exploration expenditure written off during the previous financial year includes the write off of the Comet Gold project and Kurranjong Nickel project to realisable value, amounting to \$2,847,939 and a write off of \$1,082,125 associated with the Lao Project. In 2009, \$65,860 of the total write off of \$246,930 relates to the Lao Project. Given the delays and uncertainty of the timing associated with obtaining Lao government approvals in respect of the Company's foreign investment licence application and mining concession grant it was considered prudent to write down the projects' carrying value. The remaining exploration costs written off relates to other tenement costs and consultant fees.

Note 13 Trade and other payables

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade payables and accruals	62,219	225,524	57,673	225,524
Other payables	-	21,756	-	21,736
Employee Entitlements	-	23,055	-	23,055
	62,219	270,335	57,673	270,315

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 2009.

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

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Note 14 Borrowings

On 18 September 2007 the Company announced the conversion of the convertible note and accrued interest thereon amounting to \$439,658 into 4,396,580 ordinary fully paid shares at an issue price of 10 cents each. The convertible notes have been accounted for as compound financial instruments in accordance with accounting policy note 1 (r):

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Convertible note proceeds	-	350,000	-	350,000
Equity portion	-	(42,000)	-	(42,000)
	-	308,000	-	308,000
Interest accrued	-	131,658	-	131,658
Converted to equity	-	(439,658)	-	(439,658)
	-	-	-	-

Note 15 Contributed equity

a) Reconciliation of movement in capital and reserves

Consolidated 2009 In AUD	<i>Note</i>	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

Consolidated 2008 In AUD	<i>Note</i>	Share Capital	Translation Reserve	Remuneration Reserve	Accumulated Losses	TOTAL
Balance at 1 July 2007		8,728,857	-	-	(1,100,412)	7,628,445
Shares issued on conversion of convertible note	14	439,658	-	-	-	439,658
Foreign currency translation differences		-	(1,293)	-	-	(1,293)
Share based payment expense		-	-	175,087	-	175,087
Net loss for the year		-	-	-	(4,975,402)	(4,975,402)
Balance at 30 June 2008		9,168,515	(1,293)	175,087	(6,075,814)	3,266,495

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Note 15 Contributed equity (continued)

Company 2009 In AUD	Note	Share Capital	Remuneration Reserve	Accumulated Losses	TOTAL
Balance at 1 July 2008		9,168,515	175,087	(6,077,107)	3,266,495
Share based payment expense		-	107,289	-	107,289
Net loss for the year		-	-	(607,346)	(607,346)
Balance at 30 June 2009		9,168,515	282,376	(6,684,453)	2,766,438

Company 2008 In AUD	Note	Share Capital	Remuneration Reserve	Accumulated Losses	TOTAL
Balance at 1 July 2007		8,728,857	-	(1,091,591)	7,637,266
Shares issued on conversion of convertible note	14	439,658	-	-	439,658
Share based payment expense		-	175,087	-	175,087
Net loss for the year		-	-	(4,985,516)	(4,985,516)
Balance at 30 June 2008		9,168,515	175,087	(6,077,107)	3,266,495

Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the 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.

b) Share Capital

	Company		Company	
	2009 No.	2008 No.	2009 \$	2008 \$
Issued share capital	73,696,580	73,696,580	9,168,515	9,168,515
<i>Share movements during the year</i>		<i>Issue price</i>		
At the beginning of the year	73,696,580	69,300,000	9,168,515	8,728,857
Shares issued on conversion of convertible note	\$0.10	-	4,396,580	-
At the end of the year	73,696,580	73,696,580	9,168,515	9,168,515

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Note 15 Contributed equity (continued)

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 are set out in note 16.

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.

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Note 16 Share-based payments (continued)

(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

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

	Weighted average exercise price (cents) 2009	Number of options 2009	Weighted average exercise price (cents) 2008	Number of options 2008
Outstanding at 1 July	29.3	39,450,000	29.9	35,200,000
Expired during the period (i)	-	(35,200,000)	-	-
Exercised during the period	-	-	-	-
Granted during the period	-	-	24.7	4,250,000
Outstanding at 30 June	<u>24.7</u>	<u>4,250,000</u>	<u>29.3</u>	<u>39,450,000</u>
Exercisable at 30 June		<u>4,250,000</u>		<u>35,200,000</u>

(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 2009 is 4,250,000 (2008: 39,450,000). The terms of these options are as follows:

<i>Number of Options Outstanding</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
250,000 Unlisted (ii)	20 cents	25 July 2011
4,000,000 Unlisted (iii)	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 2009 is 3.34 years (2008: 1.15 years).

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Note 16 Share-based payments (continued)

(g) Weighted average fair value

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

	Key management personnel	Senior employees
<i>Fair value of share options and assumptions</i>	2008	2008
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%

(h) Recognised share-based payment expense

Employee expenses

	Consolidated		Company	
<i>In AUD</i>	2009	2008	2009	2008
Share options granted in 2008 – equity settled	107,289	175,087	107,289	175,087
Total expense recognised as employee costs	107,289	175,087	107,289	175,087

(i) Subsequent to the balance date

There are no options issued subsequent to the balance sheet 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

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Note 17 Financial instruments (continued)

(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 8).

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 (2008: 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.

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Notes to the Financial Statements
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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:

Consolidated
30 June 2009
In AUD

	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)	-	-	-	-

Consolidated
30 June 2008
In AUD

	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	270,335	(270,335)	(270,335)	-	-	-	-
	270,335	(270,335)	(270,335)	-	-	-	-

Company
30 June 2009
In AUD

	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	57,673	(57,673)	(57,673)	-	-	-	-
	57,673	(57,673)	(57,673)	-	-	-	-

Company
30 June 2008
In AUD

	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	270,315	(270,315)	(270,315)	-	-	-	-
	270,315	(270,315)	(270,315)	-	-	-	-

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Note 17 Financial instruments (continued)

(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 respective functional currencies of the Company, the Australian dollar (AUD) and its subsidiary, the Thai Baht (THB). The currency in which these transactions are denominated is the Laos Kip (LAK) and the US Dollar (USD).

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

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:

<i>AUD</i>	Consolidated		Company	
	Carrying amount		Carrying amount	
	2009	2008	2009	2008
Fixed rate instruments				
Financial liabilities	-	-	-	-
Variable rate instruments				
Financial assets	1,582,600	827,099	1,582,304	825,473

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.

<i>Consolidated</i>	Profit or loss		Equity	
	100bp	100bp	100bp	100bp
<i>AUD</i>	increase	decrease	increase	decrease
30 June 2009				
Variable rate instruments	15,826	(15,826)	15,826	(15,826)
30 June 2008				
Variable rate instruments	8,271	(8,271)	8,271	(8,271)

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Note 17 Financial instruments (continued)

<i>Company</i>	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
<i>AUD</i>				
30 June 2009				
Variable rate instruments	15,823	(15,823)	15,823	(15,823)
30 June 2008				
Variable rate instruments	8,254	(8,254)	8,254	(8,254)

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities as described in the balance sheet 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.

Note 18 Dividends

No dividends were paid or proposed during the financial year.
The company has no franking credits available as at 30 June 2009.

Note 19 Key management personnel disclosures

(a) Compensation for key management personnel

	Consolidated Carrying amount		Company Carrying amount	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	95,000	130,000	95,000	130,000
Other benefits	236,665	394,063	236,665	394,063
Post-employee benefits	21,037	35,344	21,037	35,344
Share-based payment	107,288	150,204	107,288	150,204
Total compensation	459,990	709,611	459,990	709,611

(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.

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Note 19 Key management personnel disclosures (continued)

(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:

2009 Name	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.

2008 Name	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	-
Jayson Meyers	200,000	1,000,000	-	-	1,200,000	200,000
Peter Hepburn-Brown	125,000	1,000,000	-	-	1,125,000	125,000
Kevin Hart	25,000	1,000,000	-	-	1,025,000	25,000

(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.

2009 Name	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
Peter Hepburn-Brown	4,053,119	-	-	4,053,119
Jayson Meyers	4,000,000	-	-	4,000,000
Kevin Hart	1,025,000	-	-	1,025,000

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Note 19 Key management personnel disclosures (continued)

2008 Name	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 2009 amount to \$36,912 (2008: \$117,569).

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 2009 amount to \$61,615 (2008: \$29,907).

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

	2009	2008	2009	2008
	\$	\$	\$	\$
Trade and other payables – current	7,027	18,882	7,027	18,882

Note 20 Remuneration of auditors

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Audit and review of the Group's financial statements	29,500	37,500	29,500	37,500
	29,500	37,500	29,500	37,500

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Note 21 Contingencies

(i) Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company or consolidated entity as at 30 June 2009 or 30 June 2008, 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 2009 or 30 June 2008.

Note 22 Commitments

(a) Exploration

The consolidated entity 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 financial statements and which cover the following twelve month period amount to \$65,625 (2008: \$159,478) 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. An amount of \$849,067 was advanced to the controlled entity during the year ended 30 June 2009 (2008: \$660,628) which remains payable at 30 June 2009 (refer note 8(b)).

During the previous financial year Alloy Resources Limited acquired 49.75% of the share capital of Nam Thong Mining Co Ltd. Nam Thong Mining Co Ltd is incorporated in the country of Thailand (refer note 10).

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 consolidated entity's expenditure in respect of them is brought to account initially as capitalised exploration and evaluation expenditure (refer note 12).

Note 25 Events occurring after the balance sheet 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

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

	Consolidated		Company	
	2009	2008	2009	2008
	\$	\$	\$	\$
Loss after income tax	(605,137)	(4,975,402)	(607,346)	(4,985,516)
Depreciation	35,556	39,853	35,556	39,807
Write off of exploration expenditure	246,930	4,160,076	246,930	4,160,076
Exploration costs capitalised	(600,011)	(924,386)	(411,662)	(582,967)
Loss on sale of Comet Project	-	129,495	-	129,495
(Gain) /Loss on sale of Asset	(14,913)	993	(14,913)	-
Fixed assets written off	3,616	-	3,616	-
Unrealised FX difference	(59)	(1,293)	-	-
Borrowing costs accrued	-	7,480	-	7,480
Share-based payments	107,289	175,087	107,289	175,087
Impairment loss	-	-	9,628	25,221
<i>Change in operating assets and liabilities:</i>				
(Increase)/decrease in receivables/prepayments	19,316	532	17,780	532
Increase/(decrease) in payables	(9,514)	(13,998)	(14,124)	(13,852)
Increase/(decrease) employee provisions	(23,055)	14,104	(23,057)	14,104
Net cash outflow from operating activities	(839,982)	(1,387,459)	(650,303)	(1,030,533)

Note 27 Earnings per share

	Consolidated 2009 Cents	Consolidated 2008 Cents
<i>a) Basic earnings per share</i>		
Loss attributable to ordinary equity holders of the company	(0.82)	(6.84)
<i>b) Diluted earnings per share</i>		
Loss attributable to ordinary equity holders of the company	(0.82)	(6.84)
<i>c) Loss used in calculation of basic and diluted loss per share</i>		
Loss after tax from continuing operations	(605,137)	(4,975,402)
Average number of shares used	73,696,580	72,747,591

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 is the same as the basic earnings per share. Number of options so excluded from the calculation is set out in Note 16.

Alloy Resources Limited and its Controlled Entities
ABN 20 109 361 195

Directors' Declaration

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

- 1 (a) the financial statements and notes set out on pages 33 to 64 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 Company's and the Group's financial position as at 30 June 2009 and of their 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 2009.

Signed at Perth this 30th day of September 2009.



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 Alloy Resources Limited (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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 Company's and the Group's financial position and of their 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 Alloy Resources Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2009 and of their 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 pages 27 to 30 of the directors' report for the year ended 30 June 2009. 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 2009, complies with Section 300A of the *Corporations Act 2001*.

KPMG

D P McComish
Partner

Perth

30 September 2009