

Alloy

RESOURCES LIMITED

ABN 20 109 361 195

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

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

Corporate Directory

Directors

Mr Peter Harold	Non-Executive Chairman
Mr Andrew Viner	Managing Director (appointed 21 June 2011)
Mr Peter Hepburn-Brown	Non-Executive 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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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 2011 and the auditor's report thereon.

Directors

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

Peter Harold – Non-Executive Chairman, age 48

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.

Andrew Viner – Managing Director, age 52

Appointed a Director on 21 June 2011

Andy is a geologist with 28 years technical, managerial and corporate experience in mineral exploration and development. During his career he has generated and managed projects for a number of commodities, with a particular focus on precious metals, in Australia, Asia and South America. Andy was founding Managing Director of Jackson Gold Limited from 2002 to 2007 and Executive Director of Matsa Resources Limited from 2008 to 2010. He is a member of the Australian Institute of Mining and Metallurgy and the Institute of Company Directors.

Peter Hepburn-Brown – Non-Executive Director, age 54

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 managing director of Medusa Mining Limited (appointed 15 September 2010). Peter is a former non-executive director of Morning Star Gold NL (resigned 1 February 2011) and Kasbah Resources Limited (resigned 20 November 2010). 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 47

Appointed a Director on 2 June 2004.

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

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Directors' Report (continued)

Kevin Hart – Non-executive Director and Company Secretary, age 49

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 Gold Road Resources Limited.

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>	<i>Directors' Interests in Share Rights (Not Vested)</i>
Peter Harold	750,000	1,000,000 ⁽ⁱ⁾	-
Andrew Viner	1,286,500	3,500,000 ⁽ⁱⁱ⁾	3,500,000 ⁽ⁱⁱⁱ⁾
Peter Hepburn-Brown	6,078,119	1,000,000 ⁽ⁱ⁾	-
Jayson Meyers	5,450,000	1,000,000 ⁽ⁱ⁾	-
Kevin Hart	1,537,500	1,000,000 ⁽ⁱ⁾	-

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

(ii) The unlisted options are exercisable by payment of 4.5 cents each on or before 30 August 2015.

(iii) The Share Rights vest equally over 3 years and have an expiry date of 21 June 2015.

Directors' Meetings

The number of meetings of the Company's Directors held during the year ended 30 June 2011 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	7	7
Andrew Viner	-	-
Peter Hepburn-Brown	7	7
Jayson Meyers	7	7
Kevin Hart	7	7

Principal Activities

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

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

Results of Operations

The consolidated net loss after income tax for the financial year is \$405,562 (2010: \$431,696). Included in the loss is an amount of \$100,390 (2010: \$84,837) 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.

Directors' Report (continued)

Review of Activities

Exploration activities for the financial year were focussed on the Company's Horse Well Gold project located in the Warburton mineral field of Western Australia, approximately 85 kilometres north-east of the town of Wiluna and at Cootamundra located in the Lachlan gold belt 120 kilometres north-west of Canberra.

Horse Well Gold Project

Exploration in the Horse Well region is historically immature with large sections being either unexplored or having only first pass geochemical testing.

Project highlights during the financial year include:

- Air-core drilling undertaken in the June 2011 quarter discovered the new Warmblood Gold Prospect. The results from the drilling at Warmblood are some of the best seen in the project area and the mineralisation at Warmblood remains open in all directions.
- Air-core drilling programmes in the Mustang region showed that gold mineralisation increases to the south, and is open to the north and to the south.
- The Horse Well JORC mineral resource estimate was increased by 20% as announced to the ASX on 9 November 2011. The increase was attributable to the inclusion of data obtained from drilling programmes undertaken early in the 2010/2011 financial year.
- Future work will consist of follow up air-core drilling at the Warmblood and Mustang prospects and other newly identified gold anomalies. Some of this drilling will involve angled air-core holes to intersect vertical zones of mineralisation in between the widely spaced reconnaissance drill holes. RC drilling will follow once mineralised zones are defined. Government and Native Title compliance for access is currently being process.
- The Company is also reviewing historical exploration activities with a view to implementing a cohesive programme of new target generation involving geological mapping, surface geochemical sampling and regional geochemical drilling over the next six to twelve months.

Cootamundra Project

The Cootamundra tenements have a number of known historic manganese, gold and base metal occurrences in them that sit in close proximity to the main southern railway.

Project highlights during the financial year include:

- Completion of detailed ground based Gradient Array Induced Polarisation (GAIP) surveys over the Cootamundra and Cullinga Manganese Prospects.
- Review of historical exploration for copper/gold mineralisation within the project area.

Future work will include pursuit of Land Access Agreements with local landowners to enable surface disturbing activities to be undertaken. Local consulting geologists will complete data compilation and a critical review of copper/gold targets in the area.

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Directors' Report (continued)

Review of Activities (continued)

Financial Position

At the end of the financial year the Group had \$1,223,149 (2010: \$1,618,286) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure was \$2,545,288 (2010: \$1,967,774).

Expenditure on exploration and acquisition of tenements during the year was \$677,904 (2010: \$844,711).

Impact of Legislation and other External Requirements

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

Significant Changes in the State of Affairs

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

- On 21 February 2011 the Company completed a placement of 19,000,000 ordinary fully paid shares at 3.2 cents each to raise \$608,000 before capital raising costs.

Options over Unissued Capital

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

Since the end of the financial year 3,500,000 options and 3,500,000 performance rights were issued to the Managing Director.

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>
4,000,000 ⁽ⁱ⁾	25 cents	30 November 2012
3,500,000 ⁽ⁱⁱ⁾	4.5 cents	30 August 2015

- (i) The unlisted director options had a 12 month vesting period upon grant whereby option exercise could occur after 12 December 2008.
- (ii) The unlisted directors' options are fully vested and exercisable by payment of 4.5 cents on or before 30 August 2015.

The outstanding balance of share rights at the date of this report are as follows:

- 3,500,000 performance share rights were issued to Mr Andrew Viner on 12 September 2011 in accordance with shareholder approval at a meeting held on 9 September 2011.
- The performance share rights vest equally over three years from the commencement date of Mr Viner's employment as Managing Director, and expire four years from the commencement date being 21 June 2015.
- Mr Viner must be an executive director at each vesting date for the performance rights to vest and become exercisable.

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

Directors Report (continued)

Matters Subsequent to the End of the Financial Year

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

Likely Developments and Expected Results of Operations

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

Environmental Regulation and Performance

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

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

Remuneration Report (audited)

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

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Additional information

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives for the Group.

Directors and executives disclosed in this report include:

Name	Position
<i>Directors</i>	
P Harold	Non Executive Chairman
A Viner	Managing Director (appointed 21 June 2011)
P Hepburn-Brown	Non-executive Director
Dr. J Meyers	Non-executive Director
K Hart	Non-executive Director

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Directors Report (continued)

Remuneration Report (audited) (continued)

(a) Principles used to determine the nature and amount of remuneration

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

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives.

Non-executive Directors

Non-executive 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. In addition the Directors may receive consulting fees as set out in the Service Agreements section of this Report.

Service Agreements

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

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

The daily rates are subject to annual review.

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

Executive Pay

The combination of the following comprises the executive's total remuneration:

- Base pay and benefits, including superannuation,
- Short term performance incentives, and
- Long term incentives through participation in the Alloy Resources Ltd Incentive Option Scheme and Performance Rights Plan.

Base pay

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases included in any executives' contracts.

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Directors Report (continued)

Remuneration Report (audited) (continued)

(a) Principles used to determine the nature and amount of remuneration

Benefits

Executives can salary sacrifice certain benefits including motor vehicle and remote area housing benefits.

Superannuation

Retirement benefits are paid to complying superannuation funds nominated by the executives. During the period ended 30 June 2011 the Company contribution rate was 9% of ordinary time earnings.

Short term incentives

The Board has not established any ongoing short term incentives apart from:

- At the date of the report the Company has entered into an agreement with the Managing Director which includes a performance based component. Upon meeting certain key performance criteria set by the Chairman and the Board, the Managing Director can earn up to 30% of his base salary as a short term cash incentive.

Long-term incentives

Long term incentives are provided via the Alloy Resources Limited Incentive Option Scheme and Performance Rights Plan.

The plans were approved by shareholders at the Annual General Meeting held on 29 November 2010.

(b) Details of remuneration

Details of the nature and amount of each element of the emoluments of each key management personnel of the Company and the consolidated entity for the year ended 30 June 2011 and 2010 are set out in the following tables:

2011	Short-term		Post Employment	Share-based payment	Total	Performance Related
Directors	Fees and Salaries \$	Non- monetary benefits \$	Superannuation Contributions \$	Options \$	\$	%
Peter Harold	35,000	-	-	-	35,000	-
Andrew Viner	7,928	-	714	-	8,642	-
Jayson Meyers	137,300	-	9,994	-	147,294	-
Peter Hepburn-Brown	126,000	-	11,340	-	137,340	-
Kevin Hart	35,000	-	-	-	35,000	-
TOTAL	341,228	-	22,048	-	363,276	

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

Remuneration Report (audited) (continued)

(b) Details of remuneration (continued)

<i>2010</i>	<i>Short-term</i>	<i>Post Employment</i>	<i>Share- based payment</i>	<i>Total</i>	<i>Performance Related</i>	
<i>Directors</i>	<i>Fees and Salaries \$</i>	<i>Non- monetary benefits \$</i>	<i>Superannuation Contributions \$</i>	<i>Options \$</i>	<i>\$</i>	<i>%</i>
Peter Harold	35,000	-	-	-	35,000	-
Jayson Meyers	118,850	-	7,547	-	126,397	-
Peter Hepburn- Brown	194,000	-	17,595	-	211,595	-
Kevin Hart	35,000	-	-	-	35,000	-
TOTAL	382,850	-	25,142	-	407,992	

(c) Service agreements

Remuneration and other terms of employment for the Managing Director are formalised in a service agreement. The agreement provides for the provision of performance-related cash bonuses and participation, when eligible, in the Alloy Resources Ltd Incentive Option Scheme ('Scheme') and Performance Rights Plan ('Plan'). Other major provisions of the agreements relating to remuneration are set out below:

The contract may be terminated early by either party with notice as set out in the service agreement, subject to termination payments as detailed below.

Andrew Viner, Managing Director

- Term of agreement – no fixed term, commenced 21 June 2011.
- Termination notice – 6 months notice.
- Base salary inclusive of superannuation of \$275,000 to be reviewed annually.
- Short term incentives up to 30% of base salary at the discretion of the Board.
- The issue of 3.5 million share options at a 50% premium to the closing share price on the date of issue, 4 year term and vesting on issue. The issue was approved by shareholders at a General Meeting held on 9 September 2011 and is subject to the terms of the Company's Employee Option Plan.
- The issue of 3.5 million performance rights vesting equally over a 3 year period from his commencement date. was approved by shareholders at a General Meeting held on 9 September 2011 and is subject to terms of the Company's Performance Rights Plan.

(d) Share-based compensation

Options and Performance Rights

Options over shares in Alloy Resources Ltd are granted under the Alloy Resources Ltd Incentive Option Scheme and the Alloy Resources Ltd Performance Rights Plan which were approved by shareholders at an Annual General Meeting of shareholders of the Company held on 29 November 2010.

Directors Report (continued)

Remuneration Report (audited) (continued)

(d) Share-based compensation (continued)

The Option Scheme and the Performance Rights Plan is designed to provide long term incentives for executives to deliver long term shareholder returns, and participation in the future growth of the Company. Under the Scheme participants are granted options which typically vest on issue with a strike price as determined at the discretion of the Board. The Scheme allows the Company to issue free options to an eligible person. The options are exercisable at a fixed price in accordance with the Plan. The options of any participant in the scheme lapse where the relevant person ceases to be an employee or director of, or vendor services to the Company.

Performance rights to be issued under the Plan have varying vesting periods as determined by the Board at the date of grant except under certain circumstances whereby performance rights may be capable of exercise prior to the expiry of the vesting period. Participation in the Scheme is at the Board's discretion and no individual has a contractual right to participate in the Scheme or to receive any guaranteed benefits.

There were no options or performance rights issued in the year to 30 June 2011 or previous financial year.

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

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

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

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

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date.

Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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Directors Report (continued)

Remuneration Report (audited) (continued)

(d) Share-based compensation (continued)

There were no options or performance rights issued during the current financial year. No options or performance rights have been granted since the end of the financial year, other than 3,500,000 options and 3,500,000 performance rights issued to Mr Andrew Viner approved by shareholders at a General Meeting held on 9 September 2011.

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.

There is no policy in place for the KMP's to limit their exposure to risk in relation to the shares and share options granted as part of their remuneration.

Exercise of options granted as compensation

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

Analysis of options and rights over equity instruments granted as compensation

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

Directors	Options granted in 2008				Financial years in which grant vested
	Number	Date	% vested in 2011	% forfeited in 2011	
Peter Harold	1,000,000	27 Nov 2007	-	-	2010
Peter Hepburn-Brown	1,000,000	27 Nov 2007	-	-	2010
Jayson Meyers	1,000,000	27 Nov 2007	-	-	2010
Kevin Hart	1,000,000	27 Nov 2007	-	-	2010

Analysis of movements in options

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

(e) Company performance

The table below shows the performance of the Company as measured by share price and change in market capitalisation.

	30 June			
	2011	2010	2009	2008
	\$	\$	\$	\$
Share price	0.039	0.03	0.03	0.05
Market capitalisation	5,695,749	3,811,346	2,210,897	3,684,829
Loss for the year	(405,562)	(431,696)	(605,137)	(4,975,402)

THIS IS THE END OF THE REMUNERATION REPORT

Directors Report (continued)

Officer's Indemnities and Insurance

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

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

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

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

Corporate Governance

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

Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under Section 307C of the Corporations Act is set out on page 14 and forms part of the director's report for the financial year ended 30 June 2011.

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

DATED at Perth this 28th day of September 2011.



Andrew Viner
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 2011 there have been:

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

KPMG

KPMG

Brent Steedman

Brent Steedman

Partner

Perth

28 September 2011

Alloy Resources Limited and its Controlled Entities
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Consolidated Statement of Comprehensive Income
For the financial year ended 30 June 2011

	Note	30 June 2011 \$	30 June 2010 \$
Directors Fees		(105,000)	(105,000)
Depreciation and amortisation		(4,706)	(15,801)
Occupancy expenses		(26,600)	(21,343)
Accounting and administrative expenses		(179,130)	(172,339)
Employee expenses		(254,795)	(302,992)
Employee expenses recharged to exploration		212,046	234,750
Insurance expenses		(19,189)	(21,032)
Other expenses		(1,355)	(940)
Exploration costs expensed and written off	11	(100,390)	(84,837)
Results from operating activities		(479,119)	(489,534)
Finance income	4	71,847	57,838
Loss before income tax	5	(407,272)	(431,696)
Income tax expense	6	-	-
Loss for the period		(407,272)	(431,696)
Other comprehensive income for the period		1,710	-
Total comprehensive loss for the period		(405,562)	(431,696)
Earnings/(loss) per share:			
Basic earnings/(loss) per share	26	(0.30) cents	(0.50) cents
Diluted earnings/(loss) per share	26	(0.30) cents	(0.50) cents

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

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

Consolidated Statement of Financial Position
As At 30 June 2011

		30 June 2011 \$	30 June 2010 \$
Current assets			
Cash and cash equivalents	7	1,223,149	1,618,286
Trade receivables	8(a)	20,169	54,939
Other current assets	9	22,533	12,367
Total current assets		1,265,851	1,685,592
Non-current assets			
Trade and other receivables	8(b)	-	9,091
Other financial assets – security deposit		20,000	20,000
Property, plant and equipment	10	7,344	12,432
Capitalised mineral exploration and evaluation expenditure	11	2,545,288	1,967,774
Total non-current assets		2,572,632	2,009,297
Total assets		3,838,483	3,694,889
Current liabilities			
Trade and other payables	12	38,005	64,739
Total current liabilities		38,005	64,739
Total liabilities		38,005	64,739
Net assets		3,800,478	3,630,150
Equity			
Issued capital	14	11,036,311	10,458,711
Accumulated losses	14	(7,518,209)	(7,112,647)
Reserves	14	282,376	284,086
Total equity		3,800,478	3,630,150

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

Alloy Resources Limited and its Controlled Entities
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Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2011

	Share Capital	Accumulated losses	Translation Reserve	Equity Remuneration Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2010	10,458,711	(7,112,647)	1,710	282,376	3,630,150
Loss for the period	-	(407,272)	-	-	(407,272)
Other comprehensive loss for the period	-	1,710	-	-	1,710
Total comprehensive loss for the period	-	(405,562)	-	-	(405,562)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares	608,000	-	-	-	608,000
Transaction costs of shares issued	(30,400)	-	-	-	(30,400)
Movement in translation reserve	-	-	(1,710)	-	(1,710)
Balance at 30 June 2011	11,036,311	(7,518,209)	-	282,376	3,800,478

	Share Capital	Accumulated losses	Translation Reserve	Equity Remuneration Reserve	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2009	9,168,515	(6,680,951)	1,710	282,376	2,771,650
Loss for the period	-	(431,696)	-	-	(431,696)
Other comprehensive loss for the period	-	-	-	-	-
Total comprehensive loss for the period	-	(431,696)	-	-	(431,696)
Transactions with equity holders in their capacity as equity holders:					
Issue of shares	1,333,688	-	-	-	1,333,688
Transaction costs of shares issued	(43,492)	-	-	-	(43,492)
Balance at 30 June 2010	10,458,711	(7,112,647)	1,710	282,376	3,630,150

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

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Consolidated Statement of Cash Flows
For the financial year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Interest received		71,847	57,978
Payments to suppliers and employees		(351,156)	(403,118)
Net cash (used in) operating activities	25	(279,309)	(345,140)
Cash flows from investing activities			
Exploration expenditure		(693,428)	(877,655)
(Payments) for security deposit		-	(20,000)
(Payments) for property, plant and equipment		-	(11,715)
Net cash (used in)/from investing activities		(693,428)	(909,370)
Cash flows from financing activities			
Proceeds from issue of shares		608,000	1,333,688
Transaction costs on issue of shares		(30,400)	(43,492)
Net cash from financing activities		577,600	1,290,196
Net increase (decrease) in cash held		(395,137)	35,686
Cash and cash equivalents at 1 July		1,618,286	1,582,600
Cash and cash equivalents at 30 June	7(a)	1,223,149	1,618,286

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

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

Note 1 Summary of significant accounting policies

Alloy Resources Ltd is domiciled in Australia. The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Consolidated Financial Statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

The financial report was authorised for issue by the directors on 28th September 2011.

(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) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

Going Concern

The Directors have prepared the financial statements on a going concern basis which contemplates the realisation of assets and payment of liabilities in the normal course of business. The Group has no debt obligations. The Group incurred a loss for the year of \$405,272. The Group successfully raised \$577,600 (net of costs) in February 2011 and will be required to raise additional funds in order to meet its budgeted expenditure for the year ending 30 June 2012.

At the General Meeting held on 9 September 2011, the Company received shareholder approval and ratification of the 19 million share placement conducted in February 2011 which refreshes their 15% capital raising limit (pursuant to ASX listing rule 7.4) plus approval for placement of an additional \$2,500,000 worth of shares within the next three months.

As at the date of this report, no firm funding arrangement is in place. If there are delays in securing funding for planned activities for the year ending 30 June 2012, the Company has plans in place to scale back its activities until the funding is in place. The scaled back activities can be funded from the existing cash resources through to September 2012.

Directors continue to manage the Group's activities with due regard to current and future funding requirements. On this basis, the directors believe the financial statements should be prepared on a going concern basis.

Adoption of new and revised Accounting Standards

During the year, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2010.

The affected policies and standards are:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136, and 139)*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, 7, 121, 128, 131, 132 and 139)*
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19.*

The adoption of these standards did not have any impact in the current period or any prior period and is unlikely to affect future periods.

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

(a) Basis of preparation (continued)

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to impact on the Group's accounting for financial assets or financial liabilities. The Group has decided not to early adopt AASB 9.

- Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Alloy Resources Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the Group.

Historical cost convention

These Consolidated Financial Statements have been prepared under the historical cost convention.

Functional and presentation currency

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

Critical accounting estimates

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

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

(b) Principles of consolidation

(i) Business combinations

All business combinations are accounted for by applying the acquisition method.

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

Measuring goodwill

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

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

Share-based payment awards

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

Contingent liabilities

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

Non-controlling interest

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

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

(b) Principles of consolidation (continued)

(i) Business combinations (continued)

Transaction costs

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

(ii) Subsidiary companies

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

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

(iii) Transactions Eliminated on Consolidation

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

(c) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Board of directors ("the Board"), who is the Group's chief operating decision maker.

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

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

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and exploration and evaluation assets.

(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.

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(e) Income tax

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity or other comprehensive income are also recognised directly in equity or other comprehensive income.

(f) Impairment

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

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

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

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Notes to the Consolidated Financial Statements
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(g) Cash and cash equivalents

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

(h) Fair value estimation

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

(i) Property, plant and equipment

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

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

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

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

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.

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Notes to the Consolidated Financial Statements
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(j) Mineral exploration and evaluation expenditure (continued)

Exploration and evaluation assets are assessed for impairment when:

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

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

(k) Trade and other payables

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

(l) Employee benefits

Wages, salaries and annual leave

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

Share based payments

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

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

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

Defined contribution plans

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

(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.

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For the financial year ended 30 June 2011

(n) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(o) Goods and service tax (GST)

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

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

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

(p) Trade and other receivables

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

(q) Investments and other financial assets

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

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

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

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

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Notes to the Consolidated Financial Statements
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(r) Foreign Currency

(ii) 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.

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at exchange rates at the dates of the transactions. The income and expenses of foreign operations in hyperinflationary economies are translated to Australian dollars at the exchange rate at the reporting date. Prior to translating the Consolidated Financial Statements of foreign operations in hyperinflationary economies, their Consolidated Financial Statements for the current period are restated to account for changes in the general purchasing power of the local currency. The restatement is based on relevant price indices at the reporting date.

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

(s) Jointly controlled operations and assets

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

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

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.

Recoverability of mineral 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, discount rates, and current and anticipated operating costs in the industry (vi) the Group's market capitalisation compared to its net assets.

Refer Note 11 for details of carrying amounts, estimates and assumptions used.

Measurement of share-based payments

The Group's accounting policy is stated at 1(l). The fair value of options granted is measured using a valuation model taking into account the share price at the grant date, exercise price, expected option life and the expected volatility of the share price traded on the ASX.

Refer Note 15 for details of carrying amounts, estimates and assumptions used.

Note 3 Segment information

The Group has identified its operating segments based on the internal reports that are reviewed by the Board in assessing performance and determining the appropriate allocation of the Group's resources. The Group also has had regard to the qualitative thresholds for the determination of operating segments.

For management purposes the Group is organised into one operating segment, which involves mineral exploration and development in Australia and New Zealand. The Group's principle activities are interrelated and the Group has no revenue from operations.

All significant operation decisions are based upon analysis of the Company as one segment. The financial results of this segment are equivalent to the financial statements of the Company as a whole.

The accounting policies applied for internal reporting purposes are consistent with those applied in preparation of the financial statements.

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

Note 4 Finance income

	2011	2010
	\$	\$
<i>Finance income</i>		
Interest received	71,847	57,838

Note 5 Loss for the year

	2011	2010
	\$	\$
<i>Loss before income tax includes the following specific expenses:</i>		
Depreciation:		
Computer Software	3,904	570
Office Equipment	768	1,852
Site Equipment	34	339
Motor vehicles	-	13,040
Rental expenses	26,600	21,343
Contributions to defined superannuation funds	22,048	25,141

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Notes to the Consolidated Financial Statements
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Note 6 Income tax

Note	2011 \$	2010 \$
(a) Reconciliation of income tax expense/(benefit) to prima facie tax payable		
Loss from continuing operations before income tax expense/(benefit)	(407,272)	(431,696)
Tax at the Australian rate of 30% (2010 – 30%)	(122,182)	(129,509)
Deferred tax assets not brought to account	122,182	129,509
Income tax expense	-	-
(b) Deferred tax – Consolidated Statement of Financial Position		
<i>Liabilities</i>		
Prepayments	(3,760)	(3,710)
Capitalised Exploration and Evaluation expenditure	(763,586)	(590,332)
	(767,346)	(594,042)
<i>Less: Assets</i>		
Accrued expenses	5,267	8,054
Deductible equity raising costs	15,125	10,438
Tax losses available to offset against future taxable income	746,954	575,550
(a)	767,346	594,042
	-	-

(a) Tax losses

The balance of potential deferred tax assets of \$3,115,448 (2010: \$2,842,720) attributable to tax losses carried forward in respect of the Group have not been brought to account because directors do not believe it is appropriate to regard realisation of the future tax benefit as probable. Tax loss availability is dependent on the company deriving future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realised; the Company continuing to comply with the conditions for deductibility imposed by tax legislation and no changes in tax legislation adversely affecting the Company.

All unused tax losses were incurred by Australian entities.

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Notes to the Consolidated Financial Statements
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Note 7 Current assets - Cash and cash equivalents

	2011 \$	2010 \$
Cash at bank and in hand	25,891	10,186
Deposits at call	1,197,258	1,588,100
	<u>1,223,149</u>	<u>1,618,286</u>

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

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

Balances as above and per		
Cash flow statement	<u>1,223,149</u>	<u>1,618,286</u>

(b) Cash at bank

These attract interest at 2.06% (2010: 2.64%).

(c) Deposits at call

The deposits are bearing floating interest rates between 4.77% and 6.36% (2010: 3.39% and 6.18%).

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 16.

Note 8 Trade receivables

	2011 \$	2010 \$
<i>a) Current</i>		
GST recoverable	<u>20,169</u>	<u>54,939</u>
<i>b) Non-current</i>		
Licences	<u>-</u>	<u>9,091</u>

Note 9 Other current assets

	2011 \$	2010 \$
Prepayments and other receivables	<u>22,533</u>	<u>12,367</u>

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

Note 10 Property, plant and equipment

	2011	2010
	\$	\$
<i>Computer Software</i>		
At cost	33,652	33,652
Accumulated depreciation	(26,356)	(22,452)
	7,296	11,200
<i>Office equipment and fittings</i>		
At cost	16,367	16,749
Accumulated depreciation	(16,319)	(15,551)
	48	1,198
<i>Motor vehicles</i>		
At cost	54,274	54,274
Accumulated depreciation	(54,274)	(54,274)
	-	-
<i>Site equipment</i>		
At cost	1,442	1,442
Accumulated depreciation	(1,442)	(1,408)
	-	34
	7,344	12,432
Reconciliation		
<i>Computer Software</i>		
Net book value at 1 July	11,200	55
Additions	-	11,715
Depreciation	(3,904)	(570)
Net book value at 30 June	7,296	11,200
<i>Office equipment and fittings</i>		
Net book value at 1 July	1,198	3,050
Disposal	(382)	-
Depreciation	(768)	(1,852)
Net book value at 30 June	48	1,198
<i>Motor vehicles</i>		
Net book value at 1 July	13,040	13,040
Depreciation	(13,040)	(13,040)
Net book value at 30 June	-	-
<i>Site equipment</i>		
Net book value at 1 July	34	373
Depreciation	(34)	(339)
Net book value at 30 June	-	34

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

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

Note 11 Capitalised mineral exploration and evaluation expenditure

	2011	2010
<i>In the exploration and evaluation phase</i>	\$	\$
Cost brought forward	1,967,774	1,207,900
Exploration expenditure incurred during the year	677,904	844,711
Exploration expenditure written off during the year	(100,390)	(84,837)
Cost carried forward	2,545,288	1,967,774

Expenditure written off during the year consists of amounts that do not meet the carry forward criteria as per Note 1(j).

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

Note 12 Trade and other payables

	2011	2010
	\$	\$
Trade payables and accruals	38,005	64,739
	38,005	64,739

a) Interest rate risk exposure

Details of the Group's exposure to interest rate risk on liabilities are set out in note 16.

b) Fair value disclosures

Details of the fair value of liabilities for the Group are set out in note 16.

c) Security

There are no secured liabilities as at 30 June 2011.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 16.

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

Note 13 Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Group was Alloy Resources Limited.

	2011 \$	2010 \$
<i>Result of the parent entity</i>		
(Loss) for the year	(402,061)	(431,696)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(402,061)</u>	<u>(431,696)</u>
<i>Financial position of the parent entity at year end</i>		
Total current assets	<u>1,265,840</u>	1,685,296
Investment (ii)	350,000	350,000
Trade and other receivables (i)	1,779,769	1,509,846
Property, plant and equipment	7,344	12,051
Deposits (iii)	20,000	20,000
Capitalised mineral exploration and evaluation expenditure (iv)	415,530	107,938
Total non-current assets	<u>2,572,643</u>	<u>1,999,835</u>
Total assets	3,838,483	3,685,131
Current liabilities	38,005	60,193
Total liabilities	38,005	60,193
<i>Total equity of the parent entity comprising of:</i>		
Issued capital	11,036,311	10,458,711
Accumulated losses	(7,518,209)	(7,116,148)
Reserves	282,376	282,376
Total Equity	<u>3,800,478</u>	<u>3,624,939</u>

(i) Loan to Eskay Resources Pty Ltd (a controlled entity) is interest free, unsecured and is repayable on demand. Whilst the loan is at call there is no expectation at reporting date that it will be called in the next 12 months and has accordingly been classified as non-current. The loan is in respect of exploration expenditure incurred by the subsidiary company on the Group's mining tenements. The ultimate recoupment is dependent on successful development and commercial exploitation or alternatively, sale of the underlying mineral exploration properties.

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

(iii) Tenement security deposits are held in fixed term deposits. These amounts are not available for use and thus do not constitute cash assets. These tenement security deposits are guarantees placed with the Minister for Mineral and Forest Resources (New South Wales).

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

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Notes to the Consolidated Financial Statements
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Note 14 Contributed equity

a) Share Capital

		Company	
		2011	2010
		No.	No.
Issued share capital		146,044,870	127,044,870
<i>Share movements during the year</i>			
	<i>Issue price</i>		
At the beginning of the year		127,044,870	73,696,580
Placement	\$0.032	19,000,000	-
Placement	\$0.025	-	11,000,000
Rights Issue	\$0.025	-	42,348,290
At the end of the year		146,044,870	127,044,870

b) 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.

c) Options

Information relating to options issued by Alloy Resources Limited is set out in note 15.

d) Remuneration Reserve

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

Note 15 Share-based payments

Details of the Company's share right and option plans, under which share rights and options are issuable to employees, directors and consultants are summarised below. Details of share rights and options issued to Directors are set out in Note 18.

a) Incentive Option Plan

The Company has a formal option plan for the issue of options to employees, directors and consultants, which was approved by shareholders at the Company's Annual General Meeting on 29 November 2010. Options are granted free of charge and are exercisable at a fixed price in accordance with the terms of the grant. Options over unissued shares are issued under the terms of the Plan at the discretion of the Board.

b) Performance Rights Plan

The Company has a formal plan for the issue of performance share rights to employees, which was approved by shareholders at the Company's Annual General Meeting on 29 November 2010. Share rights are granted free of charge and are exercisable into ordinary fully paid shares in accordance with the terms of the grant. Share rights are issued to employees under the terms of the Plan at the discretion of the Board.

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

Note 15 Share-based payments (continued)

(c) Terms and conditions of the grants

The terms and conditions of the grants are set out in Note 15(d). All options are to be settled by physical delivery of shares.

(d) Options issued during the year

During the current and prior financial years no options were granted by the Company over unissued ordinary shares.

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

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

	Weighted average exercise price (cents) 2011	Number of options 2011	Weighted average exercise price (cents) 2010	Number of options 2010
Outstanding at 1 July	24.7	4,250,000	24.7	4,250,000
Expired during the period	-	-	-	-
Outstanding at 30 June	24.7	4,250,000	24.7	4,250,000
Exercisable at 30 June		<u>4,250,000</u>		<u>4,250,000</u>

Alloy Resources Limited and its Controlled Entities
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Notes to the Consolidated Financial Statements
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Note 15 Share-based payments (continued)

(f) Options on issue at the balance date

The number of options outstanding over unissued ordinary shares at 30 June 2011 is 4,250,000 (2010: 4,250,000). 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) 4,000,000 Unlisted (iii)	20 cents 25 cents	25 July 2011 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.

(g) Weighted average remaining contractual life

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 1.34 years (2010: 2.34 years).

(h) Weighted average fair value

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

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

(i) Subsequent to the balance date

Subsequent to the balance date and in accordance with shareholder approval at a General Meeting held on 9 September 2011, the Company has issued to the Managing Director the following:

- 3,500,000 options exercisable by payment of 4.5 cents each on or before 30 August 2015.
- 3,500,000 performance shares vesting equally over three years and expiring on 21 June 2015.

Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

Note 16 Financial instruments

Financial risk management

The Group has exposure to a variety of risks arising from its use of financial instruments. This note presents information about 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 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 Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

Trade and other receivables

Receivables that the Group 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 (2010: Nil).

(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:

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

Note 16 Financial instruments (continued)

(b) Liquidity risk (continued)

30 June 2011

<i>In AUD</i>	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Trade and other payables	38,005	(38,005)	(38,005)	-	-	-	-
	38,005	(38,005)	(38,005)	-	-	-	-

30 June 2010

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

(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.

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>	Carrying amount	
	2011	2010
Fixed rate instruments		
Financial liabilities	-	-
Variable rate instruments		
Financial assets	1,223,149	1,618,286

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.

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Notes to the Consolidated Financial Statements
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Note 16 Financial instruments (continued)

<i>AUD</i>	Profit or loss	
	100bp increase	100bp decrease
30 June 2011		
Variable rate instruments	12,231	(12,231)
30 June 2010		
Variable rate instruments	16,183	(16,183)

Fair values versus carrying amounts

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

(d) Capital management

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors capital expenditure and cash flows as mentioned in 16 (b).

The Group's objectives when managing capital is 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 17 Dividends

No dividends were paid or proposed during the financial year.
The company has no franking credits available as at 30 June 2011.

Note 18 Key management personnel disclosures

(a) Compensation for key management personnel

	Carrying amount	
	2011	2010
	\$	\$
Short-term employee benefits	105,000	105,000
Other benefits	236,228	277,850
Post-employee benefits	22,048	25,141
Share-based payment	-	-
Total compensation	363,276	407,991

(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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Notes to the Consolidated Financial Statements
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Note 18 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:

2011 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	1,000,000
Andrew Viner	-	-	-	-	-	-
Jayson Meyers	1,000,000	-	-	-	1,000,000	1,000,000
Peter Hepburn-Brown	1,000,000	-	-	-	1,000,000	1,000,000
Kevin Hart	1,000,000	-	-	-	1,000,000	1,000,000

2010 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	1,000,000
Jayson Meyers	1,000,000	-	-	-	1,000,000	1,000,000
Peter Hepburn-Brown	1,000,000	-	-	-	1,000,000	1,000,000
Kevin Hart	1,000,000	-	-	-	1,000,000	1,000,000

(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.

2011 Name	Balance at start of the year	Received during the year on exercise of options	Other changes during the year (i)	Balance at the end of the year
<i>Directors</i>				
Peter Harold	750,000	-	-	750,000
Andrew Viner	-	-	1,000,000	1,000,000
Peter Hepburn-Brown	6,078,119	-	-	6,078,119
Jayson Meyers	4,500,000	-	-	4,500,000
Kevin Hart	1,537,500	-	-	1,537,500

(i) Represents shares held at date of appointment as Managing Director.

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Notes to the Consolidated Financial Statements
For the financial year ended 30 June 2011

Note 18 Key management personnel disclosures (continued)

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

(ii) Represents shares held at date of appointment as Managing Director.

(e) Loans made to key management personnel

No loans were made to a director of Alloy Resources Limited or any other key management 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.

The following 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 2011 amount to \$49,408 (2010: \$44,900).

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 2011 amount to \$83,053 (2010: \$79,125).

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

	2011	2010
	\$	\$
Trade and other payables – current	13,836	33,924

Note 19 Remuneration of auditors

	2011	2010
	\$	\$
Audit and review of the Group's Consolidated Financial Statements	33,807	31,934
	33,807	31,934

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Notes to the Consolidated Financial Statements
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Note 20 Contingencies

(i) Contingent liabilities

There were no material contingent liabilities not provided for in the Consolidated Financial Statements of the Company or Group as at 30 June 2011 or 30 June 2010, 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 2011 or 30 June 2010.

Note 21 Commitments

(a) Exploration

The Group has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Group's exploration programmes and priorities. As at balance date, total exploration expenditure commitments on tenements held by the Group have not been provided for in the Consolidated Financial Statements and which cover the following twelve month period amount to \$532,512 (2010: \$362,976) respectively. These obligations are also subject to variations by farm-out arrangements or sale/relinquishment of the relevant tenements.

(b) Contractual Commitment

There are no contracted commitments other than those disclosed above.

Note 22 Controlled entities

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

Note 23 Interests in joint ventures

Farm-in/Joint venture agreements have been entered into with third parties in 2009, whereby the Company can earn an interest in exploration areas E69/2491 and E69/2492 whereby the Company can earn an 80% interest in the tenements by expenditure of \$300,000 over five years by expending specified amounts in the exploration areas.

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

Note 24 Events occurring after the reporting date

Pursuant to shareholder approval at the General Meeting held on 9 September 2011, the Company has issued to the Managing Director Mr Andrew Viner the following securities for nil consideration.

- 3,500,000 options exercisable by payment of 4.5 cents each on or before 30 August 2015.
- 3,500,000 performance rights that vest equally over three years from commencement of employment on 21 June 2011, and expire four years from commencement.

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Notes to the Consolidated Financial Statements
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Note 24 Events occurring after the reporting date (continued)

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

Note 25 Reconciliation of loss after tax to net cash outflow from operating activities

	2011	2010
	\$	\$
Loss after income tax	(405,562)	(431,696)
Depreciation	4,706	15,801
Write off of exploration expenditure	100,390	84,837
Fixed assets written off	382	-
<i>Change in operating assets and liabilities:</i>		
(Increase)/decrease in receivables/prepayments	26,174	(19,612)
Increase/(decrease) in payables	(5,399)	5,530
Net cash outflow from operating activities	(279,309)	(345,140)

Note 26 Earnings per share

	2011	2010
	Cents	Cents
<i>a) Basic earnings per share</i>		
Loss attributable to ordinary equity holders of the company	(0.30)	(0.50)
<i>b) Diluted earnings per share</i>		
Loss attributable to ordinary equity holders of the company	(0.30)	(0.50)
<i>c) Loss used in calculation of basic and diluted loss per share</i>		
Loss after tax from continuing operations	(405,562)	(431,696)
	2011	2010
	No.	No.
Average number of shares used	133,759,938	85,882,138

Potential ordinary shares are not considered dilutive as their conversion does not show an inferior view of the earnings performance of the company. Accordingly, diluted earnings per share are the same as the basic earnings per share. Number of options so excluded from the calculation is set out in Note 15.

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Directors' Declaration

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

- 1 (a) the Consolidated Financial Statements and notes set out on pages 15 to 44 and the remuneration disclosures that are contained in the Remuneration Report in the Directors' report, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
 - (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a);
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
-
- 2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the managing director and company secretary for the financial year ended 30 June 2011.

Signed at Perth this 28th day of September 2011.



Andrew Viner
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 consolidated statement of financial position as at 30 June 2011, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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



Independence

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

Auditor's opinion

In our opinion:

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

- (i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2011. 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 2011, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Rt SA

Brent Steedman
Partner

Perth

28 September 2011