

31 January 2007

Manager Announcements
Companies Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Via: www.asxonline.com

Alloy
RESOURCES LIMITED

ACN 109 361 195

Level 2, 668 Murray St West Perth
WA 6005 Australia
PO Box 1078 West Perth
WA 6872 Australia

Tel: 618 9289 9116
Fax: 618 9289 9189
Email: info@alloyres.com

Dear Sir/Madam

SECOND QUARTER ACTIVITIES AND CASHFLOW REPORT

We attach the above announcement.

Yours faithfully,



Dr. JAYSON MEYERS
Managing Director

ABOUT ALLOY

Alloy is a gold exploration company whose current focus is gold in Western Australia. Alloy's short to medium term goals are to:

- recommence mining operations at the Comet Gold Mine;
- commence mining at the Horse Well gold project; and
- expand its resource base through aggressive exploration at all its projects.

For further information contact:

Dr Jayson Meyers
Managing Director
Alloy Resources Limited
Telephone 08-9289-9116
www.alloyres.com

Duncan Gordon
Investor Relations
Telephone 08-8232-8800
Mobile 0404-006-444

DECEMBER QUARTER HIGHLIGHTS

- Identified an exciting new nickel prospect on the Comet project leases
- Reverse circulation (RC) drill rig completing 950 metre campaign to expand resource at Comet gold project
- Obtained Aboriginal Heritage and ground disturbing clearances
- Reviewed preliminary metallurgical results for assessing optimal treatment options of Comet ore
- Reviewed purchasing of plant equipment and toll treating options for processing Comet and Horse Well ore
- Began a resource estimate on the Venus gold deposit at Comet, and prospects at the Horse Well project

The Company's combined gold resources currently stand at a total of 271,707 ounces.

1. WA PROJECTS 100% AYR

1.1 COMET – WEBB'S PATCH

Alloy Resources Limited is exploring in and around the Comet mining centre located 20 kilometres to the east of the town of Cue in Western Australia. The Company's tenements are 100% owned, with the exception of tenement E21/115, which Alloy can earn 60% interest through funding exploration (Figure 1).

Gold was last mined at Comet in the mid 1990s and Alloy is exploring in and around the existing resources left behind by previous explorers and in conjunction with new target areas identified by the Company's geological team using structural and geophysical targeting techniques.

Alloy has also carried out resource estimations using existing drilling data and has begun pre-feasibility studies to investigate recommencing mining at the Comet – Webb's Patch project.

1.1.1 RESOURCES

The Pinnacles, Comet North, and Eclipse prospects sit near the Comet underground resource, and were open cut mined in the mid 1990s (Figure 1). The existing drilling around these prospects was used for resource estimation using Whittle optimised open pit shells. The estimations have allowed for mining dilution. The combined gold resource at the project is 218,707 ounces (note 1).

1.1.2 DRILLING

No drilling was undertaken during the Quarter, but 950 metres of drilling is planned to be carried out at 3 priority areas in early January 2007 (see Figure 2).

A ground electromagnetic (EM) survey identified a strong anomaly on joint venture tenement E20/531, which was recently granted to Anglo Australian Resources NL. Alloy is earning a 60% interest in the tenement through the funding of \$150,000 towards exploration. Alloy funded the EM survey and worked to clear the tenement through Aboriginal Heritage and environmental ground disturbance approvals for drilling.

RC drilling on the 100% Alloy owned tenements has been designed to test for depth extensions of the Comet underground gold resource and to test a geophysical target extending to the north of the Venus open cut mine (Figure 2). Assays from this drilling will be released when the results are made available to the Company.

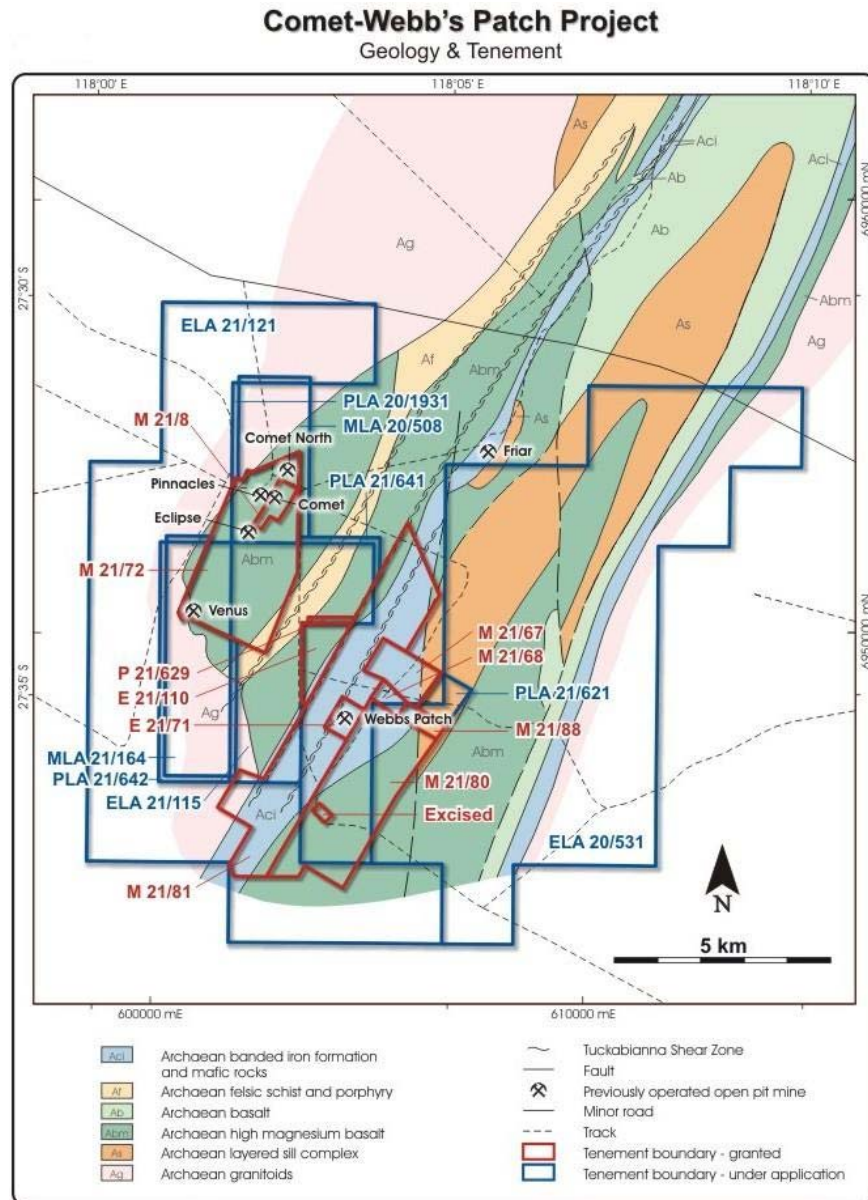


Figure 1.

Deep diamond drilling has been planned to test the depth extent of gold mineralisation below the Comet underground resource. A structural study carried out in the previous Quarter has shown that the mineralisation has a steep plunge to the north-east (Figure 3). Diamond drilling from the eastern side of the Comet mine waste dump will test for depth extensions of the ore zone. A diamond rig has been obtained and had arrived on site at the time of this report.

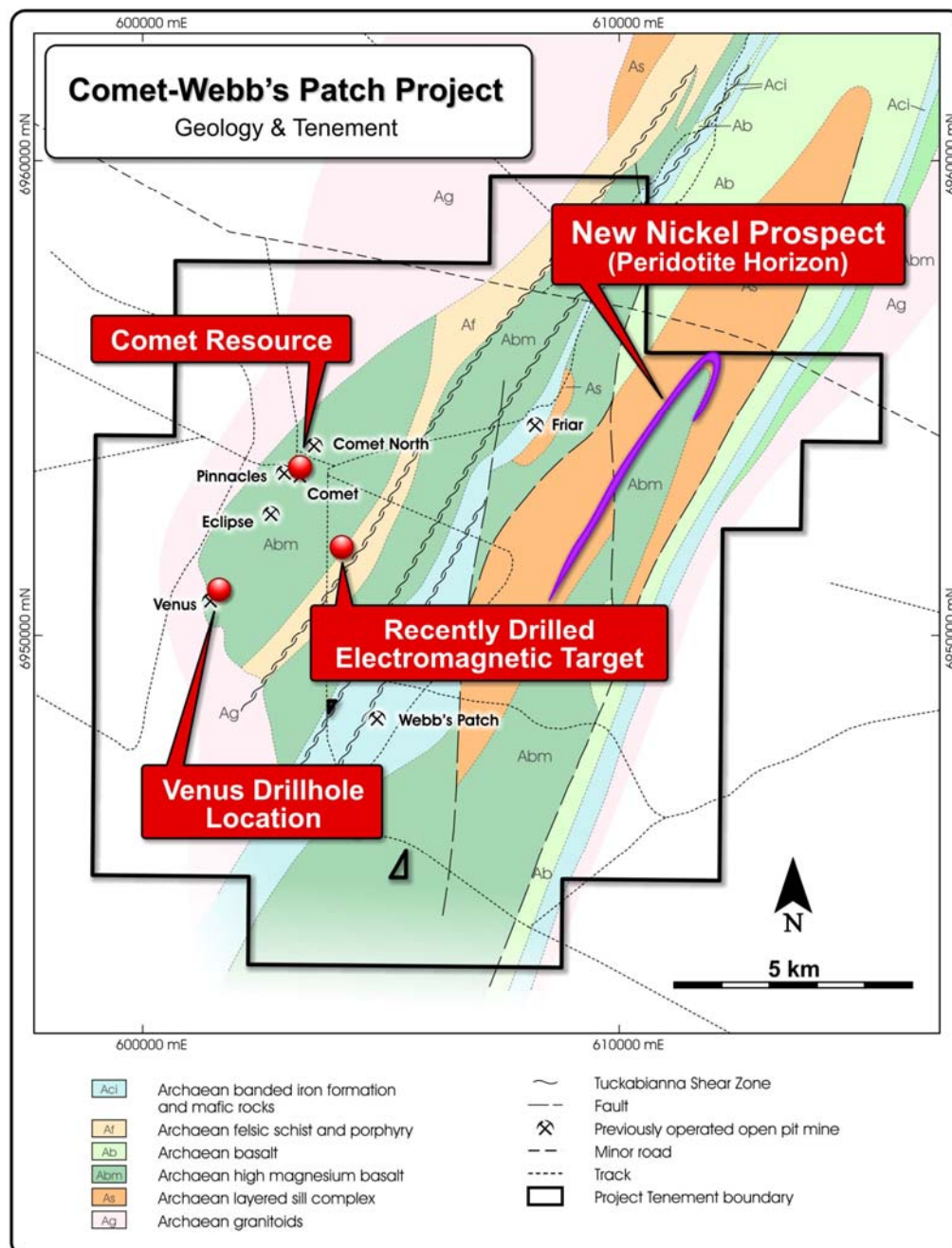


Figure 2.

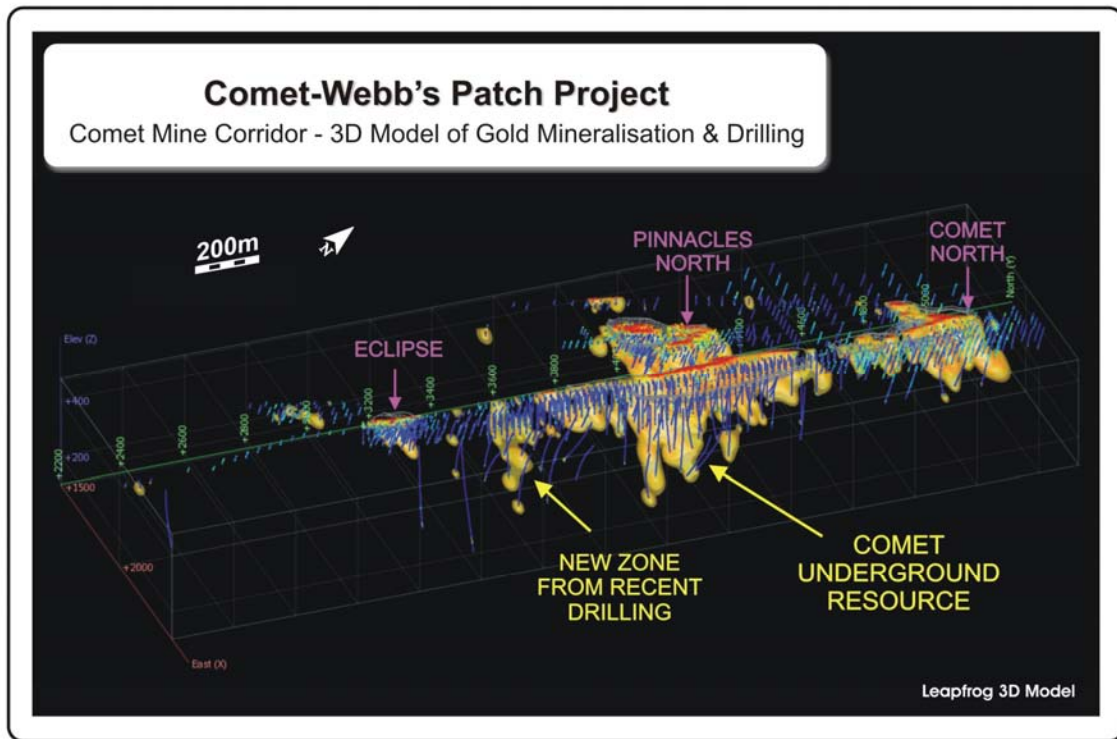


Figure 3.

1.1.3 METALLURGICAL TESTING

Metallurgical Project Consultants Pty Ltd (MPC, note 2) have been contracted to carry out metallurgical test work and a scoping study to design an optimal treatment facility for the Comet underground ore. An independent metallurgical laboratory carried out analyses on a sample of Comet underground ore. The results of this study showed that a substantial fraction of gold was liberated by gravity concentration following a grind to 75 microns, with the remaining gravity tail being easily leached in a 12 hour period to produce 94% total recovery. Some inconsistencies were observed with assay sub-samples, and this is attributed to coarse gold. There were no deleterious metals associated with the gold ore, and despite the high sulphide concentration of the ore, the gold was easily liberated and was not refractory.

MPC have submitted a preliminary report and flow chart for processing Comet ore. The estimated operating costs for processing the Comet ore were higher than expected, mainly due to recent increases in the costs of labour, fuel, reagents, and equipment. The operating costs were estimated to decrease by 26% if annual production is increased from 150,000 tonnes to 250,000 tonnes.

The final report will be ready in February 2007. This report will form the basis for plant design and ore processing cost estimates, and for negotiation in relation to any toll milling arrangements.

1.1.4 NEW NICKEL PROSPECT AT COMET

About 70 rock chip samples were collected along an outcropping horizon of ultramafic peridotite rocks that correspond to an aeromagnetic anomaly. The rock chips were analysed for magnesium-oxide (MgO) and nickel (Ni) to see if elevated background values could be identified which would indicate the potential for nickel sulphide mineralisation. Komatiite hosted nickel sulphide deposits, such as Kambalda, Silver Swan, Cosmos and Leinster, occur in ultramafic peridotite rocks with MgO in excess of 30%.

The peridotite rock chips collected within the 100% Alloy owned tenement, 8 kilometres to the east of the Comet gold mine, all showed elevated MgO between 28-31% and background Ni of 1,500-2,000 ppm (0.15-0.20%). These rock chips are not from nickel sulphide mineralised rocks and did not contain ore

grade assay values. However, they are a strong indication that the peridotite rocks are fertile and have the potential to host nickel sulphide deposits in an area previously not thought to be prospective for nickel exploration.

Exploration in the next Quarter will consist of field mapping, additional rock chipping and ground EM surveying as a priority to identify conductive drill targets, RC drilling, and downhole geophysical surveying. The recently granted tenement will also undergo Aboriginal Heritage surveys in order to drill selected targets.

1.2 HORSE WELL

Horse Well is located at the northern end of the Yandal-Millrose Greenstone belt in Western Australia, 50 kilometres to the north of the Jundee Gold Mine. The Company owns 100% of the tenement through its subsidiary Eskay Resources Pty Ltd. Alloy is exploring the tenement for additional gold and base metal resources, and is studying the viability of open cut mining at the Palomino prospect.

The Palomino Prospect has a JORC indicated gold resource of 607,000 t @ 2.7 g/t for approximately 53,000 ounces. The existing drilling information was used for resource estimation using Whittle optimised open pit shells for a range of different gold prices (see section 1.4). The estimations have allowed for mining dilution. Mineralisation occurs close to the surface, and the rocks in this area are deeply weathered. The Company has commenced work on a pre-feasibility study for the mining of Palomino using open cut methods, while exploring around Palomino and adjacent prospects.

Resource calculations are currently being made on the Bronco and Filly prospect adjacent to Horse Well.

An Aboriginal Heritage survey was recently completed to gain access to parts of the tenement for drilling. An application has been lodged with the WA Department of Industry and Resources for a mining lease over the Palomino, Bronco and Filly gold prospects (MLA69/140).

All recently acquired and compiled geophysical, geochemical and drilling data is being interpreted to target new areas for exploration.

1.3 DOYLE'S DAM

Tenements comprising the Doyle's Dam project area have been recently granted and are held 100% by Alloy. This project is in a mature gold producing region located 45 kilometres to the west-north-west of Kalgoorlie. It covers the Doyle's Dam granodiorite, where previous exploration has identified geochemical gold anomalies coincident to fault structures within the granodiorite. This geological setting is similar to the Golden Cities and Federal open cut gold mines in the Kalgoorlie region. These tenements are now granted. They will be explored using soil geochemistry along faults identified in aeromagnetic data, and the best geochemical anomalies will be drill tested.

1.4 PRE-FEASIBILITY STUDIES ON GOLD RESOURCES

During the Quarter the Company assessed purchasing a new gold treatment plant, a recently decommissioned processing plant within 100 kilometres of the Comet project, and are in discussions with parties over potential options for toll milling of Comet ore. A consultant from Resource Sector Services Pty Ltd has been hired to evaluate ore treatment options and coordinate the scoping study to process Comet and Horse Well gold ore. The Company continues to evaluate the best option to treat its gold ore with the aim of generating positive cash flow with minimal capital expenditure.

1.5 PROJECT GENERATION

The Company also continues to evaluate opportunities to increase its resource base through acquisition of new projects. The Company is in the process of reviewing several gold projects in the Murchison gold field, near the Comet project.

2. WA JOINT VENTURE PROJECTS

2.1 COMET E21/115, ANGLO AUSTRALIAN NL JOINT VENTURE, EARNING 60%

The Company has a right to earn 60% interest in tenement E21/115 by funding exploration. This tenement sits 2 kilometres to the south-east of the Comet mine area. Exploration activities carried out on the tenement are discussed in section 1.1.2.

A ground electromagnetic (EM) survey identified a strong anomaly on joint venture tenement E20/531, which was recently granted to Anglo Australian Resources NL. Alloy is earning a 60% interest in the tenement through the funding of \$150,000 towards exploration. Alloy funded the EM survey and worked to clear the tenement through Aboriginal Heritage and environmental ground disturbance approvals for drilling. A reverse circulation (RC) drill rig will commence drilling in early January 2007

2.2 NORTH KIMBERLEY, NORTH AUSTRALIAN DIAMONDS LIMITED JOINT VENTURE, EARNING 51%

The Company is planning to drill at least 2 exploratory holes at the 88 Creek project to depths of approximately 300 metres. These holes are designed to test for higher grade gold mineralisation sitting below the known gold anomalies and into a weakly conductive layer identified by induced polarisation (IP) surveying (Figure 4). Drilling options include diamond drilling or RC drilling. Drilling is planned for May 2007.

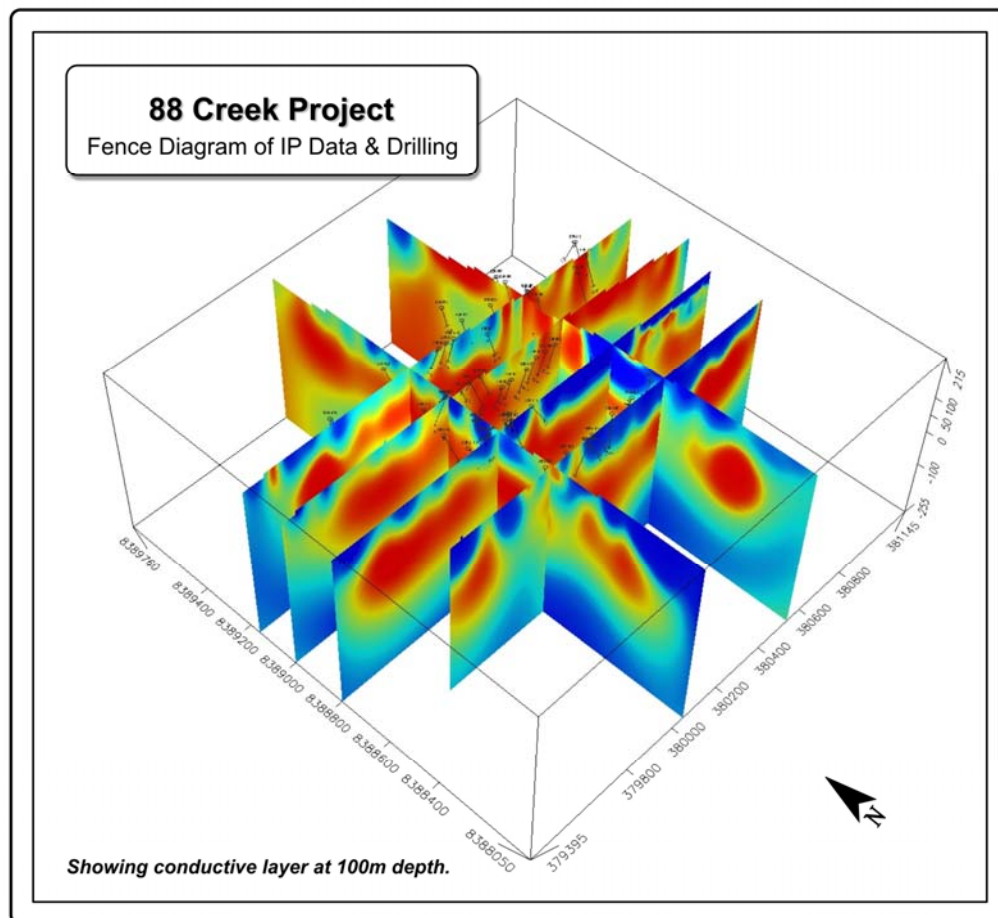


Figure 4.

3. FINANCE

During the quarter the company extended the maturity date of the convertible note from 15 March 2007 to 15 September 2007. The convertible note has a face value of \$350,000 and is convertible into 3,500,000 ordinary shares at 10 cents each at the election of the note holder. The interest rate applicable is 10% per annum

At 31 December 2006, the Company had cash reserves of \$3,882,000.

For and on behalf of the Board,



Dr. JAYSON MEYERS
Managing Director

Note 1: The resources in this statement are based on work carried out by Dr. S. Carras FAusIMM of Carras Mining Pty Ltd. Dr. Carras has 30 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code of reporting of Exploration results, Mineral resources and Ore reserves" and consents to the inclusion in this report of the information in the form and context in which it appears.

Note 2: The metallurgical test work in this statement is based on work carried out by Peter Banovich Member AusIMM of Metallurgical Project Consultants Pty Ltd. Mr. Banovich has 15 years of experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code of reporting of Exploration results, Mineral resources and Ore reserves" and consents to the inclusion in this report of the information in the form and context in which it appears.

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

ALLOY RESOURCES LIMITED

ABN

20 109 361 195

Quarter ended ("current quarter")

30 December 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(277)	(1,392)
(b) development	-	-
(c) production	-	-
(d) administration	(110)	(270)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	131
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(382)	(1,531)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(2)	(3)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid from other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(2)	(3)
1.13 Total operating and investing cash flows (carried forward)	(384)	(1,534)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(384)	(1,534)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – Share Issue costs	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(384)	(1,534)
1.20	Cash at beginning of quarter/year to date	4,266	5,416
1.21	Exchange rate adjustments to item 1.20		-
1.22	Cash at end of quarter	3,882	3,882

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	184
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

i)	Directors Fees - \$32,000
ii)	Directors consulting fees - \$73,000
iii)	Consulting and occupancy costs paid to Resource Potentials Pty Ltd an entity related to Dr Jayson Myers - \$67,000
iv)	Accounting and company secretarial fees paid to Endeavour Corporate an entity related to Mr Kevin Hart - \$12,000

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements		
---------------------------------	--	--

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	500
4.2	Development	-
Total		500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	162	285
5.2	Deposits at call	3,720	3,981
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		3,882	4,226

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	Granted	nil	100%
		Granted	nil	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	69,300,000	51,625,000		Fully paid
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	\$350,000 Redeemable at election of the holder into 3,500,000 ordinary shares on or before 15 September 2007. Interest at 10% pa			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-			
7.7 Options <i>(description and conversion factor)</i>	200,000 35,000,000	- 35,000,000	<i>Exercise price</i> 30 cents each 20 cents each	<i>Expiry</i> 30 June 2009 6 April 2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:.



(Company secretary)

Date: 31 January 2007

Print name: Kevin Hart
.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==