

ABN 20 109 361 195

INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

Corporate Directory

Directors

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

Company Secretary

Mr Kevin Hart

Principal and Registered Office

Level 2, 668 Murray Street
West Perth, Western Australia 6005
Telephone: (08) 9289 9116
Facsimile: (08) 9289 9189
Website: www.alloyres.com

Postal Address

PO Box 1078
West Perth, WA 6872

Auditor

KPMG
Level 31, Central Park
152-158 St George's Terrace
Perth, Western Australia 6000

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, Western Australia 6153

Stock Exchange Listing

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

ASX Code

AYR – Ordinary shares
AYRO – Options expiring 6 April 2009

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

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Alloy Resources Limited and its Controlled Entities
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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 half-year ended 31 December 2007.

Directors

The following persons were directors of Alloy Resources Limited during the whole of the half-year and up to the date of this report:

Peter Harold
Dr Jayson Meyers
Peter Heppburn-Brown
Kevin Hart

Results of Operations

The consolidated net loss after income tax for the half-year year was \$3,221,773 (31 December 2006: \$172,352). Included in the loss is an exploration write off of \$2,983,535 (31 December 2006: Nil) in respect of certain capitalised mineral exploration and evaluation tenement expenditures . Refer note 6

Financial Position

At the end of the period the consolidated entity had \$1,261,913 (30 June 2007: \$2,436,529) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$3,355,360 (30 June 2007: \$5,439,915).

Expenditure on exploration and acquisition of tenements during the half-year was \$898,980, principally focused on the Comet-Webbs Patch and Lao Projects.

Auditors Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on page 4.

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

DATED at Perth this 14th day of March 2008.



Kevin Hart
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 interim period ended 31 December 2007 there have been:

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

KPMG

D P McComish
Partner

Perth
14 March 2008

Alloy Resources Limited and its Controlled Entities
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Consolidated Interim Income Statement
For the half-year ended 31 December 2007

		Consolidated 31 December 2007 \$	31 December 2006 \$
Other revenue from continuing operations		<u>69,225</u>	135,385
Directors Fees		(55,000)	(65,000)
Depreciation and amortisation		(19,864)	(10,934)
Marketing and promotion expenses		(23,004)	(12,830)
Occupancy expenses		(36,067)	(16,115)
Accounting and administrative expenses		(86,177)	(83,842)
Employee expenses		(301,303)	(299,903)
Employee expenses recharged To Exploration		258,056	227,777
Insurances		(12,366)	(17,981)
Finance costs		(7,538)	(17,644)
Other expenses		(24,200)	(11,265)
Exploration costs expensed and written off		<u>(2,983,535)</u>	-
Net loss before income tax		(3,221,773)	(172,352)
Income tax expense		-	-
Loss for the period	6	<u>(3,221,773)</u>	<u>(172,352)</u>
Earnings per share:			
Basic earnings/(loss) per share		<u>(4.49) cents</u>	<u>(0.25) cents</u>
Diluted earnings/(loss) per share		<u>(4.49) cents</u>	<u>(0.25) cents</u>

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

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Consolidated Interim Balance Sheet
As At 31 December 2007

	Consolidated	30
	31	June
	December	2007
Note	2007	2007
	\$	\$
Current assets		
Cash and cash equivalents	1,261,913	2,436,529
Trade and other receivables	26,527	65,972
Other current assets	28,170	18,070
Total current assets	<u>1,316,610</u>	<u>2,520,571</u>
Non- current assets		
Receivables	141,000	141,000
Property, plant and equipment	87,681	107,462
Capitalised mineral exploration and evaluation expenditure	3,355,360	5,439,915
Total non-current assets	<u>3,584,041</u>	<u>5,688,377</u>
Total assets	<u>4,900,651</u>	<u>8,208,948</u>
Current liabilities		
Trade and other payables	41,830	148,325
Borrowings	-	432,178
Total current liabilities	<u>41,830</u>	<u>580,503</u>
Total liabilities	<u>41,830</u>	<u>580,503</u>
Net assets	<u>4,858,821</u>	<u>7,628,445</u>
Equity		
Issued capital	9,168,515	8,728,857
Accumulated losses	(4,322,185)	(1,100,412)
Equity compensation reserve	12,491	-
Total equity	<u>4,858,821</u>	<u>7,628,445</u>

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

Alloy Resources Limited and its Controlled Entities
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Consolidated Interim Statement of Changes in Equity
For the half-year ended 31 December 2007

		Consolidated	
		31	31
		December	December
		2007	2006
Note		\$	\$
Total equity at the beginning of the period		7,628,445	8,399,362
Recognised income and expense:			
Loss for the period		(3,221,773)	(172,352)
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity	7	439,658	-
Transaction costs of equity issued		-	(6,738)
Share based payment expense		12,491	3,750
Total equity at the end of the period		4,858,821	8,224,022

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

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Consolidated Interim Cash Flow Statement
For the half-year ended 31 December 2007

	Consolidated 31 December 2007 \$	31 December 2006 \$
Cash flows from operating activities		
Interest received	69,225	130,897
Payments to suppliers and employees	(329,134)	(270,305)
Exploration expenditure	(914,707)	(1,392,344)
Net cash used in operating activities	(1,174,616)	(1,531,752)
Cash flows from investing activities		
Payments for property, plant and equipment	-	(3,436)
Net cash used in investing activities	-	(3,436)
Cash flows from financing activities		
Proceeds from the issue of shares	-	-
Proceeds from borrowings	-	-
Repayment of loans from related parties	-	-
Payments for transaction costs relating to share issues	-	-
Net cash provided by financing activities	-	-
Net increase / (decrease) in cash held	(1,174,616)	(1,535,188)
Cash and cash equivalents at the beginning of the financial year	2,436,529	5,415,923
Cash and cash equivalents at the end of the financial year	1,261,913	3,880,735

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

Alloy Resources Limited and its Controlled Entities
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Notes to the Interim Financial Statements
For the half-year ended 31 December 2007

Note 1 Reporting entity

Alloy Resources Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2007 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 is available upon request from the Company's registered office at Level 2, 668 Murray Street West Perth or at www.alloyres.com

Note 2 Statement of compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007.

The consolidated interim financial report was approved by the Board of Directors on 14 March 2008.

Note 3 Accounting policies

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2007.

Note 4 Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2007.

During the six months ended 31 December 2007 management has estimated the recoverable amount of certain capitalised mineral exploration and evaluation expenditure.

Note 5 Segment information

Business segments

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

Geographical segments

The consolidated entity has exploration and development interests within Australia and South East Asia.

The results for the period principally reflect the Australian operations with South East Asian expenditure capitalised as mineral exploration and evaluation expenditure.

Alloy Resources Limited and its Controlled Entities
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Notes to the Interim Financial Statements
For the half-year ended 31 December 2007

Note 6 Loss for the half-year

	Consolidated	
	31 December 2007 \$	31 December 2006 \$
<i>Loss before income tax includes the following specific expenses:</i>		
Depreciation		
Computer Software	(3,648)	(2,411)
Office Equipment	(2,366)	(1,172)
Site Equipment	(280)	(113)
Motor vehicles	(13,570)	(7,238)
Capitalised exploration costs expensed (i)	(2,983,535)	-
Rental expenses on operating leases	(19,320)	(13,035)

(i) During the reporting period the Group has written down certain capitalised exploration and evaluation costs to the estimated recoverable amount, resulting in a charge to the Income Statement of \$2,983,535.

Note 7 Issued capital

	Consolidated / Company		Consolidated / Company	
	31 December 2007 No.	30 June 2007 No.	31 December 2007 \$	30 June 2007 \$
Issued share capital	73,696,580	69,300,000	9,168,515	8,728.857
<i>a) Share movements during the period</i>				
At the beginning of the period	69,300,000	69,300,000	8,728,857	8,735,595
Shares Issued on conversion of convertible note (note 11)	4,396,580	-	439,658	-
Less: costs related to shares issued	-	-	-	(6,738)
At the end of the period	73,696,580	69,300,000	9,168,515	8,728,857

Alloy Resources Limited and its Controlled Entities
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For the half-year ended 31 December 2007

Note 8 Options

Options on issue at the balance date

The number of options outstanding over unissued shares at 31 December 2007 is 39,450,000 (2006: 35,200,000). The terms of these options are as follows:

Number of Options Outstanding	Exercise Price	Expiry Date
35,000,000 Listed	20 cents	6 April 2009
200,000 Unlisted	30 cents	30 June 2009
250,000 Unlisted ¹	20 cents	25 July 2011
4,000,000 Unlisted ²	25 cents	30 November 2012

¹ Due date for vesting 25 July 2008

² Due date for vesting 12 December 2008

Note 9 Dividends

No dividends were paid or proposed during the six months ended 31 December 2007.

The company has no franking credits available as at 31 December 2007.

Note 10 Events occurring after the balance sheet date

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

Note 11 Borrowings

During the period the Company's convertible notes that were on issue at 30 June 2007 and disclosed in full in note 15 of the 2007 annual report were converted at the request of the investing party. The outstanding convertible note liability, and interest accrued thereon, at 18 September 2007 was converted into 4,396,580 fully paid ordinary shares in Alloy Resources Limited at an issue price of 10 cents each.

	Consolidated	
	31	30
	December	June
	2007	2007
	\$	\$
Balance at beginning of period	432,178	350,000
Interest accrued	7,480	124,178
Equity element of financial instrument	-	(42,000)
Converted to equity (Note 7)	(439,658)	-
	<hr/>	<hr/>
Closing balance at end of period	-	432,178
	<hr/>	<hr/>

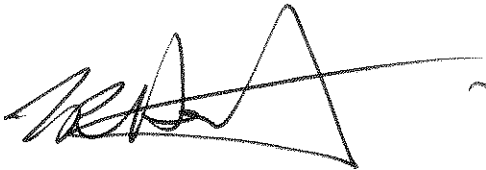
Directors' Declaration

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

- (a) the financial statements and notes set out on pages 5 to 11 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of its performance for the six month period ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed at Perth this 14th day of March 2008.

A handwritten signature in black ink, appearing to be 'Kevin Hart', written over a horizontal line.

Kevin Hart
Director



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

Report on the financial report

We have reviewed the accompanying interim financial report of Alloy Resources Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the interim period ended on that date, a description of accounting policies and other explanatory notes 1 to 11 and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2007 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Alloy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Alloy Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2007 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

KPMG

D P McComish
Partner

Perth
14 March 2008