

# Alloy

**RESOURCES LIMITED**

ABN 20 109 361 195

INTERIM FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

## Corporate Directory

### Directors

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

### Company Secretary

Mr Kevin Hart

### Principal and Registered Office

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

### 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

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

**Contents Page**

	Page
Directors' Report	3
Auditors Independence Declaration	5
Condensed Consolidated Interim Statement of Comprehensive Income	6
Condensed Consolidated Interim Statement of Financial Position	7
Condensed Consolidated Interim Statement of Changes in Equity	8
Condensed Consolidated Interim Statement of Cash Flows	9
Notes to the Consolidated Interim Financial Report	10
Directors' Declaration	14
Independent Review Report	15

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

**Directors' Report**

The Directors present their report on Alloy Resources Limited and the entities it controlled at the end of, or during the half-year ended 31 December 2009 and the review report thereon.

**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:

Mr Peter Harold  
Mr Peter Hepburn-Brown  
Dr Jayson Meyers  
Mr Kevin Hart

**Results of Operations**

The consolidated net loss after income tax for the half-year year was \$254,048 (31 December 2008: \$408,498). Included in the loss is an exploration write off of \$84,836 (31 December 2008: \$172,782).

**Financial Position**

At the end of the period the consolidated entity had \$1,184,971 (30 June 2009: \$1,582,600) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$1,300,934 (30 June 2009: \$1,207,900).

Expenditure on exploration and acquisition of tenements during the half-year was \$210,061, principally focused on the Horse Well Project.

On 19 February 2010 the Company completed a placement of 11,000,000 ordinary fully paid shares at 2.5 cents each to raise \$275,000.

On 19 February 2010 the Company announced a one for two pro-rata non-renounceable entitlement issue whereby up to \$1,059,000 (before costs) will be raised through the issue of up to 42,348,290 new shares at 2.5 cents per share to eligible shareholders registered as at 17 March 2010 (record date). Proceeds from the issue will be used to fund the consolidated entity's exploration and evaluation programs and provide working capital.

**Horse Well Gold Project**

Detailed and reconnaissance geological mapping in the Horse Well area was undertaken during the half-year by geological consultants to improve understanding of the controls on gold mineralisation and to assess the prospectivity of the Mistake Well area, which was recently pegged by Alloy. The Mistake Well tenement covers the along strike continuation of prospective shears and stratigraphy south of Horse Well. The field work has confirmed the validity of Alloy's previously identified exploration targets.

A number of mineralised areas identified from the geological mapping and previous work will be drilled during the March Quarter and on 3 March 2010 the Company announced the commencement of the Horse Well drilling program.

During the period the Company increased its land holding in the Horse Well project through tenement application.

**Results of Operations (continued)**

***Barrytown Mineral Sands Project***

During the half-year Alloy Resources Limited was granted its exploration permit EL 51803, over the Barrytown Mineral Sands deposit located on the South Island of New Zealand, 28 kms north of the port of Greymouth during the December Quarter.

The Company has engaged the services of a Consultant Geologist with expertise in the evaluation of mineral sands deposits to review all the open file data on the Barrytown Mineral Sands Project, which included results from bulk sampling and over 1,400 drill holes undertaken during the period 1966 to 1990.

Alloy has also engaged TZ Minerals International Pty Ltd (TZMI) to undertake a Scoping Study on the Barrytown Ilmenite Project to provide a preliminary assessment on the project economics.

Proposed exploration includes:

- Review application of new technologies to upgrade TiO<sub>2</sub> from ilmenite and recover gold and other minerals during production of ilmenite concentrate as part of the Scoping Study.
- Design a sampling and metallurgical testing program based on the outcome of the Scoping Study.

***Cootamundra Base Metals Project***

The Company has applied for two exploration licences east, south and north of Cootamundra in the Lachlan Fold Belt. The application area is approximately 500 sq kms. Cootamundra is located 110 kms from Dalton, 120 kms northwest of Canberra and 385 kms south west of Sydney.

The tenements have a number of known historic gold and base metal deposits on them. The Company is waiting for government approval of these applications and anticipates that approval for ELA 3760 could be obtained during the coming quarter.

Alloy's tenement applications are in the Lachlan Fold Belt, which is a well-endowed porphyry Cu-Au belt, hosting a number of mines, such as Northparkes, Cowal, Copper Hill, Temora and Cadia-Ridgeway.

**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 5 and forms part of the directors' report for the six months ended 31 December 2009.

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

DATED at Perth this 15th day of March 2010.



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 review for the half-year ended 31 December 2009 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.

A handwritten signature in black ink, appearing to read 'D P McComish'.

KPMG

A handwritten signature in black ink, appearing to read 'D P McComish'.

D P McComish  
*Partner*

Perth

15 March 2010

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

**Condensed Consolidated Interim Statement of Comprehensive Income**  
**For the half-year ended 31 December 2009**

	Note	Consolidated 31 December 2009 \$	31 December 2008 \$
Directors Fees		(47,500)	(50,417)
Depreciation and amortisation		(8,046)	(20,053)
Marketing and promotion expenses		-	(381)
Occupancy expenses		(8,043)	(13,273)
Accounting and administrative expenses		(89,372)	(96,420)
Employee expenses		(123,170)	(247,499)
Employee expenses recharged To Exploration		94,050	114,424
Insurances		(11,380)	(14,589)
Other expenses		(929)	(20,571)
Exploration costs expensed and written off		(84,836)	(172,782)
<b>Results from operating activities</b>		<b>(279,226)</b>	<b>(521,561)</b>
Finance income		25,178	113,097
Finance expenses		-	(34)
<b>Loss before income tax</b>	2	<b>(254,048)</b>	<b>(408,498)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(254,048)</b>	<b>(408,498)</b>
Other comprehensive income for the period		-	2,551
<b>Total comprehensive loss for the period</b>		<b>(254,048)</b>	<b>(405,947)</b>
Earnings per share:			
Basic earnings/(loss) per share		<b>(0.35) cents</b>	(0.55) cents
Diluted earnings/(loss) per share		<b>(0.35) cents</b>	(0.55) cents

The above condensed consolidated interim 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**

**Condensed Consolidated Interim Statement of Financial Position**  
**As At 31 December 2009**

	<b>Consolidated</b>	
	<b>31</b>	<b>30</b>
	<b>December</b>	<b>June</b>
	<b>2009</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash and cash equivalents	1,184,971	1,582,600
Trade and other receivables	8,932	2,348
Other current assets	13,349	15,412
<b>Total current assets</b>	<b>1,207,252</b>	<b>1,600,360</b>
<b>Non-current assets</b>		
Trade and other receivables	9,091	9,091
Other financial assets – security deposit	10,000	-
Property, plant and equipment	8,472	16,518
Capitalised mineral exploration and evaluation expenditure	1,300,934	1,207,900
<b>Total non-current assets</b>	<b>1,328,497</b>	<b>1,233,509</b>
<b>Total assets</b>	<b>2,535,749</b>	<b>2,833,869</b>
<b>Current liabilities</b>		
Trade and other payables	18,147	62,219
<b>Total current liabilities</b>	<b>18,147</b>	<b>62,219</b>
<b>Total liabilities</b>	<b>18,147</b>	<b>62,219</b>
<b>Net assets</b>	<b>2,517,602</b>	<b>2,771,650</b>
<b>Equity</b>		
Issued capital	9,168,515	9,168,515
Accumulated losses	(6,934,999)	(6,680,951)
Reserves	284,086	284,086
<b>Total equity</b>	<b>2,517,602</b>	<b>2,771,650</b>

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

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

**Condensed Consolidated Interim Statement of Changes in Equity**  
**For the half-year ended 31 December 2009**

<b>Consolidated</b>	<b>Share Capital</b>	<b>Accumulated losses</b>	<b>Translation Reserve</b>	<b>Equity Remuneration Reserve</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2009</b>	9,168,515	(6,680,951)	1,710	282,376	2,771,650
Loss for the period	-	(254,048)	-	-	(254,048)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	(254,048)	-	-	(254,048)
<b>Balance at 31 December 2009</b>	<b>9,168,515</b>	<b>(6,934,999)</b>	<b>1,710</b>	<b>282,376</b>	<b>2,517,602</b>

<b>Consolidated</b>	<b>Share Capital</b>	<b>Accumulated losses</b>	<b>Translation Reserve</b>	<b>Equity Remuneration Reserve</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Balance as at 1 July 2008</b>	9,168,515	(6,075,814)	(1,293)	175,087	3,266,495
Loss for the period	-	(408,498)	-	-	(408,498)
Other comprehensive income for the period	-	-	2,551	-	2,551
Total comprehensive loss for the period	-	(408,498)	2,551	-	405,947
Movement in equity remuneration reserve	-	-	-	107,289	107,289
<b>Balance at 31 December 2008</b>	<b>9,168,515</b>	<b>(6,484,312)</b>	<b>1,258</b>	<b>282,376</b>	<b>2,967,837</b>

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

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

**Condensed Consolidated Interim Statement of Cash Flows**  
**For the half-year ended 31 December 2009**

	<b>Consolidated</b>	
	<b>31</b>	<b>31</b>
	<b>December</b>	<b>December</b>
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>		
Interest received	25,178	61,402
Payments to suppliers and employees	(212,746)	(207,736)
Exploration expenditure	(210,061)	(383,093)
<b>Net cash used in operating activities</b>	<b>(397,629)</b>	<b>(529,427)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of prospects	-	1,425,000
Other – Return of security deposit	-	141,000
<b>Net cash from investing activities</b>	<b>-</b>	<b>1,566,000</b>
<b>Net (decrease)/increase in cash held</b>	<b>(397,629)</b>	<b>1,036,573</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>1,582,600</b>	<b>827,099</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>1,184,971</b>	<b>1,863,672</b>

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

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

**Notes to the Consolidated Interim Financial Report**  
**For the half-year ended 31 December 2009**

**Note 1 Summary of significant accounting policies**

**(a) 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 2009 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 2009 is available upon request from the Company's registered office at Suite 6, 7 The Esplanade, Mt Pleasant, Perth or at [www.alloyres.com](http://www.alloyres.com).

**(b) Statement of compliance**

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This consolidated interim financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by the consolidated entity during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The consolidated interim financial report was approved by the Board of Directors on 15<sup>th</sup> March 2010.

**(c) Significant accounting policies**

The accounting policies applied in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2009, except as set out below.

As of 1 July 2009 the consolidated entity determines and presents operating segments based on the information that internally is provided to the Board, who is the consolidated entity's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously operating segments were determined and presented in accordance with AASB 14 Segment Reporting. As the consolidated entity has only one segment, being mineral exploration in Australasia, the new policy has had minimal impact on the consolidated entity's financial statements.

The consolidated entity applies revised AASB101 Presentation of Financial Statements (2007), which became effective for the consolidated entity as of 1 July 2009. As a result, the consolidated entity presents in the condensed consolidated interim statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the condensed consolidated interim statement of comprehensive income. This presentation has been applied in this consolidated interim financial report as of and for the six months period ended on 31 December 2009.

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

**Note 1 Summary of significant accounting policies (continued)**

**(c) Significant accounting policies (continued)**

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

**(d) Estimates**

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, 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 consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2009.

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

**Notes to the Consolidated Interim Financial Report**  
**For the half-year ended 31 December 2009**

**Note 2 Loss for the half-year**

	<b>Consolidated</b>	
	<b>31 December 2009 \$</b>	<b>31 December 2008 \$</b>
<i>Loss before income tax includes the following specific expenses:</i>		
Depreciation		
Computer Software	(55)	(3,656)
Office Equipment	(1,026)	(2,646)
Site Equipment	(180)	(180)
Motor vehicles	(6,784)	(13,571)
Capitalised exploration costs expensed	(84,837)	(172,782)
Rental expenses on operating leases	(8,043)	(13,273)

**Note 3 Options**

Options on issue at the balance date

The number of options outstanding over unissued shares at 31 December 2009 is 4,250,000 (2008: 39,450,000). The terms of these options are as follows:

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

**Note 4 Dividends**

No dividends were paid or proposed during the six months ended 31 December 2009.

The Company has no franking credits available as at 31 December 2009.

**Note 5 Contingencies**

*(i) Contingent liabilities*

There were no material contingent liabilities not provided for in the interim financial report of the Company or consolidated entity as at 31 December 2009 other than:

*Native Title and Aboriginal Heritage*

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects.

*(ii) Contingent assets*

There were no material contingent assets as at 31 December 2009.

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

**Notes to the Consolidated Interim Financial Report  
For the half-year ended 31 December 2009**

**Note 6 Events occurring after the balance sheet date**

Other than the matters below, there has not arisen in the interval between the end of the period 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 Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

On 19 February 2010 the Company completed a placement of 11,000,000 ordinary fully paid shares at 2.5 cents each to raise \$275,000.

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

**Directors' Declaration**

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

- (a) the financial statements and notes set out on pages 6 to 13 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards and the Corporations Regulations 2001, AASB 134 Interim Financial Reporting, and
  - (ii) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2009 and of its performance, for the half-year 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 15<sup>th</sup> day of March 2010.



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 condensed consolidated interim statement of financial position as at 31 December 2009, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the half-year ended on that date, a statement of accounting policies and other explanatory notes 1 to 6 and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

#### *Directors' responsibility for the interim 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 Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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 Interim and Other Financial Reports 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 consolidated entity's financial position as at 31 December 2009 and its performance for the half-year 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 an 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.

#### *Independence*

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



*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 consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'D P McComish', written in a cursive style.

KPMG

A handwritten signature in black ink, appearing to read 'D P McComish', written in a cursive style.

D P McComish  
*Partner*

Perth

15 March 2010