

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

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16 March 2007

Company Announcements Office
Australian Securities Exchange Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

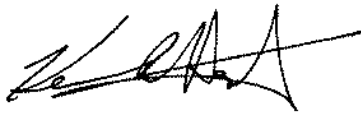
Half Year Accounts

Please find attached the Interim Financial Report for the half year ended 31 December 2006.

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Yours faithfully

ALLOY RESOURCES LIMITED



Kevin Hart
Company Secretary

Alloy

RESOURCES LIMITED

ABN 20 109 361 195

INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

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 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

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Directors' Report

The Directors present their report on Alloy Resources Limited and the entity it controlled at the end of, or during the half-year ended 31 December 2006.

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 Hepburn-Brown
Kevin Hart

Results of Operations

The consolidated net loss after income tax for the half-year year was \$172,352 (31 December 2005: \$20,588).

Financial Position

At the end of the period the consolidated entity had \$3,880,735 (30 June 2006: \$5,415,923) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure was \$4,505,041 (30 June 2006: \$3,246,174).

Expenditure on exploration and acquisition of tenements during the half-year was \$1,258,867, principally focused on the Comet-Webbs Patch Project.

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 16th day of March 2007.



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 2006 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 of the KPMG representative, appearing as 'KPMG' in a cursive script.

KPMG

A handwritten signature of D P McComish, written in a cursive script.

D P McComish
Partner

Perth
16 March 2007

**Consolidated Interim Income Statement
For the half-year ended 31 December 2006**

	Note	Consolidated 31 December 2006 \$	31 December 2005 \$
Other revenue from continuing operations		135,385	21,501
Management and consulting fees		-	(17,783)
Directors Fees		(65,000)	-
Depreciation and amortisation		(10,934)	-
Marketing and promotion expenses		(12,830)	(291)
Occupancy expenses		(16,115)	(1,482)
Accounting and administrative expenses		(83,842)	(714)
Employee expenses		(299,903)	(7,848)
Employee expenses recharged To Exploration		227,777	-
Insurances		(17,981)	(5,600)
Finance costs		(17,644)	-
Other expenses		(11,265)	(8,371)
Net loss before income tax		(172,352)	(20,588)
Income tax expense		-	-
Loss for the period	3	(172,352)	(20,588)
Earnings per share.			
Basic earnings/(loss) per share		<u>(0.25) cents</u>	-
Diluted earnings/(loss) per share		<u>(0.25) cents</u>	-

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

**Consolidated Interim Balance Sheet
As At 31 December 2006**

	Note	Consolidated 31 December 2006 \$	30 June 2006 \$
Current assets			
Cash and cash equivalents		3,880,735	5,415,923
Trade and other receivables		59,664	203,225
Other current assets		22,701	44,417
Total current assets		<u>3,963,100</u>	<u>5,663,565</u>
Non- current assets			
Receivables		141,000	141,000
Property, plant and equipment		126,215	133,713
Capitalised mineral exploration and evaluation expenditure		4,505,041	3,246,174
Total non-current assets		<u>4,772,256</u>	<u>3,520,887</u>
Total assets		<u>8,735,356</u>	<u>9,184,452</u>
Current liabilities			
Trade and other payables		96,417	387,816
Borrowings	8	414,917	397,274
Total current liabilities		<u>511,334</u>	<u>785,090</u>
Total liabilities		<u>511,334</u>	<u>785,090</u>
Net assets		<u>8,224,022</u>	<u>8,399,362</u>
Equity			
Issued capital	4	8,722,119	8,728,857
Accumulated losses		(498,097)	(329,495)
Total equity		<u>8,224,022</u>	<u>8,399,362</u>

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

Consolidated Interim Statement of Changes in Equity
For the half-year ended 31 December 2006

	Consolidated 31 December 2006 \$	31 December 2005 \$
Note		
Total equity at the beginning of the period	8,399,362	204,232
Recognised income and expense:		
Loss for the period	(172,352)	(20,588)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity	-	657,500
Transaction costs of equity issued	(6,738)	(41,575)
Share based payment expense	3,750	-
Total equity at the end of the period	8,224,022	799,569

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

**Consolidated Interim Cash Flow Statement
For the half-year ended 31 December 2006**

	Consolidated 31 December 2006 \$	31 December 2005 \$
Cash flows from operating activities		
Interest received	130,897	21,501
Payments to suppliers and employees	(270,305)	(158,262)
Exploration expenditure	(1,392,344)	(544,502)
Net cash used in operating activities	<u>(1,531,752)</u>	<u>(681,263)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(3,436)	-
Net cash used in investing activities	<u>(3,436)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from the issue of shares	-	657,500
Proceeds from borrowings	-	700,000
Repayment of loans from related parties	-	33,217
Payments for transaction costs relating to share issues	-	(41,575)
Net cash provided by financing activities	<u>-</u>	<u>1,349,142</u>
Net increase / (decrease) in cash held	<u>(1,535,188)</u>	<u>667,879</u>
Cash and cash equivalents at the beginning of the financial year	<u>5,415,923</u>	<u>175,923</u>
Cash and cash equivalents at the end of the financial year	<u>3,880,735</u>	<u>843,802</u>

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

**Notes to the Interim Financial Statements
For the half-year ended 31 December 2006**

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 2006 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 2006 is available upon request from the Company's registered office at Level 2, 668 Murray Street West Perth or at www.alloyres.com

(b) 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 2006.

The consolidated interim financial report was approved by the Board of Directors on 16 March 2007.

(c) Principles of consolidation

Subsidiary companies

The financial statements of the subsidiary companies are included in the consolidated financial statements from the date control commences until the date control ceases.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

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

Transactions Eliminated on Consolidation

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

(d) Segment reporting

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

(e) 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.

**Notes to the Interim Financial Statements
For the half-year ended 31 December 2006**

Note 1 Summary of significant accounting policies (continued)

(f) Income tax

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Impairment

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

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

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

(h) Cash and cash equivalents

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

**Notes to the Interim Financial Statements
For the half-year ended 31 December 2006**

Note 1 Summary of significant accounting policies (continued)

(i) 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.

(j) Property, plant and equipment

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

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

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

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

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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(g)).

(k) 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.

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.

(l) 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.

**Notes to the Interim Financial Statements
For the half-year ended 31 December 2006**

Note 1 Summary of significant accounting policies (continued)

(m) Employee benefits

Wages, salaries and annual leave.

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

Share based payments.

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

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

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

(n) 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.

(o) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Goods and service tax (GST)

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

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

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

**Notes to the Interim Financial Statements
For the half-year ended 31 December 2006**

Note 1 Summary of significant accounting policies (continued)

(q) 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.

(r) 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 recognized 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 recognized 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.

(s) Convertible Notes

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

**Notes to the Interim Financial Statements
For the half-year ended 31 December 2006**

Note 2 Segment information

Business segments

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

Geographical segments

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

Note 3 Loss for the half-year

	Consolidated 31 December 2006 \$	31 December 2005 \$
<i>Loss before income tax includes the following specific expenses:</i>		
Depreciation		
Computer Software	(2,411)	-
Office Equipment	(1,172)	-
Site Equipment	(113)	-
Motor vehicles	(7,238)	-
Rental expenses on operating leases	(13,035)	(1,482)

Note 4 Issued capital

	Company		Company	
	31 December 2006 No.	30 June 2006 No.	31 December 2006 \$	30 June 2006 \$
Issued share capital	<u>68,300,000</u>	<u>68,300,000</u>	<u>8,772,119</u>	<u>8,728,857</u>
<i>a) Share movements during the period</i>				
At the beginning of the period	68,300,000	15,250,000	8,728,857	281,751
Shares Issued	-	53,050,000	-	9,549,500
Less: costs related to shares issued			(6,738)	(1,102,394)
At the end of the period	<u>68,300,000</u>	<u>68,300,000</u>	<u>8,772,119</u>	<u>8,728,857</u>

Note 5 Dividends

No dividends were paid or proposed during the six months ended 31 December 2006.

The company has no franking credits available as at 31 December 2006.

**Notes to the Interim Financial Statements
For the half-year ended 31 December 2006**

Note 6 Contingencies

(i) Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company or consolidated entity as at 31 December 2006 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 31 December 2006.

Note 7 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 8 Convertible notes

On 15 September 2005 the Company issued a convertible note. The note had a face value of \$700,000 and is convertible into 7,000,000 ordinary shares at 10 cents per share at the election of the note holder. The interest rate applicable is 10% per annum. The note was originally repayable 12 months from the date of issue of the note or such later date as the parties may agree in writing, but in any event no later than 15 March 2007. During the period the Company extended the maturity date of the convertible notes from 15 March 2007 to 15 September 2007.

Conversion of 50% of the principal amount outstanding was mandatory and converted to ordinary shares on admission of the Company to the Official List of the Australian Stock Exchange Limited.

The Company may elect at any time to redeem up to 50%.

The holder of the note can convert the residual value at any time prior to redemption to ordinary shares under the terms of the instrument. The convertible notes have been accounted for as compound financial instruments in accordance with accounting policy note 1 (s):

The convertible note has been accounted for as follows:

	Consolidated	
	31	30
	December	June
	2006	2006
	\$	\$
Balance at beginning of period	397,274	700,000
Equity portion	-	(42,000)
Converted to equity	-	350,000
Interest accrued	17,643	89,274
	<hr/>	<hr/>
Closing balance at end of period	414,917	397,274

Terms and conditions

The note does not give the holder any voting rights at shareholders' meetings.

In the event of the winding up of the company, the holder of the convertible note ranks above all other shareholders and is entitled to the proceeds of liquidation only to the extent of the face value of the notes and any accumulated interest.

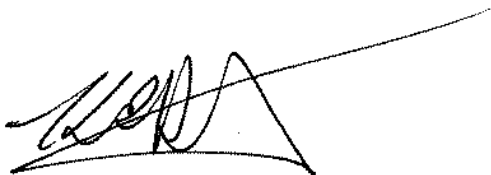
Directors' Declaration

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

- (a) the financial statements and notes set out on pages 5 to 15 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 2006 and of its performance, as represented by the results of its operations, and cash flows, 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 ~~6~~ day of March 2007.

A handwritten signature in black ink, appearing to read 'Kevin Hart', is written over a horizontal line. The signature is stylized and somewhat cursive.

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 half-year financial report of Alloy Resources Limited, which comprises the consolidated interim balance sheet as at 31 December 2006, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies and other explanatory notes 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 Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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 half-year 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 half-year 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 2006 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 a half-year 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 half-year 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 2006 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.

KPMG

KPMG

D P McComish

D P McComish
Partner

Perth
16 March 2007