

Alloy

RESOURCES LIMITED

ABN 20 109 361 195

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Corporate Directory

Directors

Mr Andrew Viner	Executive Chairman
Mr Kevin Hart	Non-Executive Director
Mr Andre Marschke	Non-Executive Director

Company Secretary

Mr Kevin Hart

Principal Office

Level 3
35 Havelock Street
West Perth WA 6005
Telephone: (08) 9322 9903
Mobile: 0419 960 501

Registered Office

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

Auditor

KPMG
235 St George's Terrace
Perth, Western Australia 6000

Share Registry

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

Stock Exchange Listing

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

ASX Code

AYR – Ordinary shares

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Exploration Results

The information in this report which relates to Exploration Results is based on information compiled by Andrew Viner, a Director of Alloy Resources Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr Viner 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Viner consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Mr Viner is a shareholder and option holder of Alloy Resources Limited.

The Company confirms that it is not aware of any new information that materially affects the information included in the relevant ASX releases and the form and content of the announcements have not been materially modified. In the case of estimates of Mineral Resources, the Company confirms that all material assumptions and technical parameters underpinning the relevant market announcement, continue to apply and have not materially changed.

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 2015 and the review report thereon.

Directors

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

Mr Andrew Viner
Mr Kevin Hart
Mr Andre Marschke

Results of Operations

The consolidated net loss after income tax for the half-year year was \$224,315 (31 December 2014: \$277,942). There is no share based payments expense/(reversal) related to directors' remuneration for the half year (31 December 2014: reversal (\$4,042)).

Financial Position

At the end of the period the consolidated entity had \$603,839 (30 June 2015: \$261,282) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure asset is \$2,142,720 (30 June 2015: \$2,142,720).

Expenditure on new project evaluation and generation during the half year was \$81,488 and has been fully expensed during the half year.

Review of Exploration

HORSE WELL GOLD PROJECT

Farm-in partner Doray Minerals Limited ("Doray") has continued to actively explore the project during the half year. Doray completed a large regional air-core drill program at the project during the period, following which the \$1 million second stage Farm-in expenditure to earn a 60% interest in the Horse Well project was completed.

During the 2016 calendar year, the Company will contribute to the \$2 million stage 3 expenditure program in line with its 40% interest in the project

Planned Exploration

The Joint Venture is planning an aggressive exploration campaign at the Project in the next 12 months in line with the required \$2 million in Joint Venture expenditure.

Heritage surveys and other regulatory activities commenced in December 2015-January 2016, and approvals for planned works are expected in the coming weeks.

The priority activity is for infill air-core drilling of the Django anomalies which is planned to commence in February and total approximately 5,300 metres.

The JV also plans to commence exploration on targets in the south of the project following completion of the Django program. Air-core drilling of prospective areas of the Celia Shear zone south of the Warmblood prospect is planned to total approximately 9,000 metres RC drill testing of identified priority air-core anomalies has been budgeted for the June Quarter (up to 4,500 metres). Exact location of drilling will not be defined until results for the above infill air-core drilling at Django is completed.

MARTINS WELL

The Martins Well Project is located in the north-eastern Flinders Ranges of South Australia. The Company is targeting high-grade copper-silver-gold and also lead-zinc in mesothermal structural deposits. The Company has one granted Exploration Licence of 850 square kilometres. No active exploration was completed during the period. Field soil and rock chip sampling of prospects is planned for the March quarter in 2016.

BARRYTOWN (20%)

The Barrytown Mineral Sands Project in New Zealand is being operated by 80% operating partner Westland Resources Limited ("Westland"). During the period Westland completed 502 metres of air-core drilling in 31 holes which successfully confirmed the location of mineral sand strandlines at depths of less than 15 metres.

A final payment of either AUD 200,000 cash or AUD 300,000 in listed entity shares is due to Alloy within 12 months after the granting of the Minerals Exploration Permit Extension which occurred on 25 November 2015.

PROJECT GENERATION

The Company has pegged approximately 198 square kilometres of Exploration Licence applications in the Yamarna area located 150 kilometres north-east of Laverton in Western Australia. This area is regarded as prospective for gold mineralisation and is located only 20 kilometres from the 5 million ounce Gruyere gold resource.

Numerous projects have also been assessed for purchase or 'farmin', and a number of opportunities were reviewed in more detail.

CORPORATE

The Company has continued to maintain minimal operating cost expenditure to meet the current market conditions.

A placement of 100,000,000 ordinary fully paid shares at 0.7 cents per share to professional and sophisticated investors to raise \$700,000 before costs was completed within the Company's 15% placement capacity under ASX Listing Rule 7.1 and 10% placement capacity under ASX listing Rule 7.1A on the 2 November 2015. Bell Potter Securities Limited acted as Lead Manager to the Placement. Transaction costs for the placement were \$42,181.

A General Meeting was held on 23 December 2015 at which resolutions were passed to ratify previous share issues and reset the Company's placement capacity.

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 3 and forms part of the directors' report for the six months ended 31 December 2015.

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

DATED at Perth this 14th day of March 2016.



Andrew Viner
Executive Chairman



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 half-year ended 31 December 2015 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.

KPMG

A handwritten signature in blue ink, appearing to read 'R Gambitta', with a flourish at the end.

R Gambitta
Partner

Perth

14 March 2016

**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive
Income**

For the half-year ended 31 December 2015

		Consolidated	
		31	31
		December	December
		2015	2014
	Note	\$	\$
Other income	2	-	100,000
Expenses			
Directors Fees		(16,867)	(36,402)
Depreciation and amortisation		-	(889)
Occupancy expenses		(12,269)	(15,570)
Accounting and administrative expenses		(76,176)	(105,743)
Directors remuneration – Share based payments		-	4,042
Employee expenses		(24,679)	(24,387)
Insurance		(6,753)	(6,175)
Other expenses		(7,941)	(11,973)
Project evaluation and generation		(81,488)	-
Exploration costs written off		-	(183,821)
Results from operating activities		(226,173)	(280,918)
Finance income		1,859	2,976
Loss before income tax	3	(224,314)	(277,942)
Income tax expense		-	-
Loss for the period		(224,314)	(277,942)
Other comprehensive income for the period		-	-
Total comprehensive profit/(loss) for the period		(224,314)	(277,942)
Earnings per share:			
Loss per share		(0.04) cents	(0.06) cents
Diluted loss per share		(0.04) cents	(0.06) cents

The above condensed consolidated interim statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**Condensed Consolidated Interim Statement of Financial Position
As at 31 December 2015**

		Consolidated	
		31	30
		December	June
		2015	2015
		\$	\$
Current assets			
		603,839	261,282
		7,185	1,705
		3,775	7,347
		614,799	270,334
Non- current assets			
	5	2,142,720	2,142,720
		2,142,720	2,142,720
		2,757,519	2,413,054
Current liabilities			
		34,370	126,670
		31,089	27,829
		65,459	154,499
		65,459	154,499
		2,692,060	2,258,555
Equity			
	6	15,060,110	14,402,291
		(12,424,935)	(12,255,138)
		56,885	111,402
		2,692,060	2,258,555

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

**Condensed Consolidated Interim Statement of Changes in Equity
For the half-year ended 31 December 2015**

	Share Capital	Accumulated losses	Equity Remuneration Reserve	Total
Consolidated	\$	\$	\$	\$
Balance as at 1 July 2015	14,402,291	(12,255,138)	111,402	2,258,555
Profit/(loss) for the period	-	(224,314)	-	(224,314)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	(224,314)	-	(224,314)
Transfer from equity remuneration reserve	-	54,517	(54,517)	-
Transactions with equity holders in their capacity as equity holders:				
Issue of shares	700,000	-	-	700,000
Transaction costs of equity issued	(42,181)	-	-	(42,181)
Balance as at 31 December 2015	15,060,110	(12,424,935)	56,885	2,692,060

	Share Capital	Accumulated losses	Equity Remuneration Reserve	Total
Consolidated	\$	\$	\$	\$
Balance as at 1 July 2014	14,011,896	(9,432,170)	144,444	4,724,170
Loss for the period	-	(277,942)	-	(277,942)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	(277,942)	-	(277,942)
Transfer in equity remuneration reserve	35,000	-	(35,000)	-
Share based payment expense	-	-	(4,042)	(4,042)
Transactions with equity holders in their capacity as equity holders:				
Issue of shares	341,999	-	-	341,999
Transaction costs of equity issued	(15,489)	-	-	(15,489)
Balance as at 31 December 2014	14,373,406	(9,710,112)	105,402	4,768,696

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

Condensed Consolidated Interim Statement of Cash Flows
For the half-year ended 31 December 2015

	Consolidated	
	31 December 2015 \$	31 December 2014 \$
Cash flows from operating activities		
Interest received	1,859	2,976
Payments to suppliers and employees	(202,169)	(220,144)
Net cash used in operating activities	(200,310)	(217,168)
Cash flows from investing activities		
Payments for exploration and evaluation	(114,952)	(219,149)
Re-imbursement of Farm-in expenditure	-	103,053
Barrytown sale proceeds	-	100,000
Net cash used in investing activities	(114,952)	(16,096)
Cash flows from financing activities		
Proceeds from issue of shares and shares to be issued	700,000	316,999
Payments for share issue costs	(42,181)	(15,489)
Net cash provided by financing activities	657,819	301,510
Net increase in cash held	342,557	68,246
Cash and cash equivalents at the beginning of the period	261,282	433,157
Cash and cash equivalents at the end of the period	603,839	501,403

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

**Notes to the Condensed Consolidated Interim Financial Report
For the half-year ended 31 December 2015**

Note 1 Summary of significant accounting policies

(a) Reporting entity

Alloy Resources Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the half year ended 31 December 2015 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 2015 is available upon request from the Company's registered office at Suite 6, 7 The Esplanade, Mt Pleasant, Perth or at www.alloyres.com.

(b) Statement of compliance

The condensed 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 condensed 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 complete an understanding of the financial performance, financial position and cash flows of the Company as the annual financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 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 condensed consolidated interim financial report was approved by the Board of Directors on 14th March 2016.

(c) Going concern

The directors have prepared the financial statements on a going concern basis which contemplates the realisation of assets and the payment of liabilities in the normal course of business. The Group has no debt obligations. The Group has a working capital surplus of \$549,340 as at 31 December 2015 and had net cash inflows of \$342,557 (including net proceeds of share issues of \$657,819). The Group incurred a loss for the half year of \$224,314.

The directors have reviewed the Group's financial position and forecast cash flows and have assessed that for the Group to meet its intended future exploration so as to maintain its current interest in the Horse Well joint venture, it will be required to raise additional funds by way of issuing equity. The directors reasonably expect that the Group will be able to raise additional funds as required to meet future costs associated with its operating and exploration activities for at least the next 12 months, including its planned future exploration expenditure on the Horse Well joint venture. The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances.

Should the Group meet its planned cash call requirements on the Horse Well joint venture and not be successful in obtaining adequate funding or cash inflows are not as planned, there is a material uncertainty which casts significant doubt as to the ability of the Group to continue as a going concern and to realise its assets and extinguish its liabilities in the ordinary course of business.

**Notes to the Condensed Consolidated Interim Financial Report
For the half-year ended 31 December 2015**

(d) Significant accounting policies

Except as described below, the accounting policies applied by the Group in the condensed 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 2015.

(e) 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. 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 2015.

Note 2 Other Income

	Consolidated	
	31 December 2015 \$	31 December 2014 \$
Barrytown sale proceeds	-	100,000
	-	100,000

Note 3 Dividends

No dividends were paid or proposed during the half year ended 31 December 2015.

The Company has no franking credits available as at 31 December 2015.

Note 5 Capitalised mineral exploration and evaluation expenditure

	Dec 2015 \$	June 2015 \$
<i>In the exploration and evaluation phase</i>		
Cost brought forward	2,142,720	4,395,725
Exploration expenditure incurred during the year	-	430,822
Proceeds from farm-in agreements	-	(103,053)
Exploration expenditure written off during the year	-	(2,580,774)
Cost carried forward	2,142,720	2,142,720

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

**Notes to the Condensed Consolidated Interim Financial Report
For the half-year ended 31 December 2015**

Note 6 Contributed equity

		Company			
		31 December 2015		31 December 2014	
		No.	\$	No.	\$
Issued share capital		592,707,646	15,060,110	489,582,646	14,373,406
<i>Share movements during the period</i>					
		<i>Issue price</i>			
At the beginning of the period		492,707,646	14,402,291	440,005,338	14,011,896
Placement	\$0.007	100,000,000	700,000		
Tenement acquisition	\$0.008	-	-	3,125,000	25,000
Entitlement issue	\$0.007	-	-	45,285,652	316,999
Exercise of performance share rights	-	-	-	1,166,666	35,000
Capital raising costs		-	(42,181)	-	(15,489)
At the end of the period		592,707,646	15,060,110	489,582,656	14,373,406

Note 7 Options

On 30 August 2015, 3,500,000 unlisted options exercisable at 4.5 cents expired un-exercised, and on 31 December 2015 22,642,821 unlisted options exercisable at 1.5 cents expired un-exercised.

Note 8 Segment information

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

For management purposes the Group is organised into one operating segment, which involves mineral exploration and development in Australia. The Group's principle activities are interrelated and the Group has revenue from a farm-in on the Company's main exploration asset.

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

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

Note 9 Events occurring after the balance sheet date

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.

Directors' Declaration

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

- (a) the financial statements and notes set out on pages 4 to 10 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards and the Corporations Regulations 2001 and 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 2015 and of its performance, for the half-year ended on that date; and
- (b) as set out in Note 1(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed at Perth this 14th day of March 2016.



Andrew Viner
Executive Chairman



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 2015, condensed consolidated interim statement of profit and loss and other comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the interim period ended on that date, notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 2015 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 Group's financial position as at 31 December 2015 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*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to note 1(c) of the interim financial report. The matters set forth in note 1(c) indicate the existence of the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business and as at the amounts stated in the financial report.

KPMG.

KPMG

R Gambitta
Partner

Perth

14 March 2016