ALLOY RESOURCES LIMITED

ABN 20 109 361 195

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

Corporate Directory

Directors

Mr Andrew Viner	Executive Chairman
Mr Kevin Hart	Non-Executive Director
Mr Gary Powell	Non-Executive Director

Company Secretary
Mr Kevin Hart

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West Perth WA 6005

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Mt Pleasant, Western Australia 6153
Telephone: (08) 9316 9100
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Website: www.alloyres.com

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

Share Registry
Automic Group
Level 2, 267 St Georges Tce
Perth WA 6000
Telephone: (02) 8072 1400

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

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 2019 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 Gary Powell

Results of Operations

The consolidated net loss after income tax for the half-year year was $305,562 (31 December 2018: $1,635,351) which includes project evaluation and generation and exploration costs expensed and written off of $69,628 (31 December 2018: $1,444,584).

Financial Position

At the end of the period the Group had $382,277 (30 June 2019: $446,180) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure asset is $5,531,151 (30 June 2019: $4,977,761).

Review of Exploration

Horse Well Gold Project (AYR 60% - Sole Funding)

The Horse Well Joint Venture with Silver Lake Resources Limited ('Silver Lake') is exploring the 550 square kilometre Horse Well Project.

The Company has been focussing more recently on known gold prospects and reviewing geological and resource models with a view to defining opportunities to expand Mineral Resources as well as the economic potential for development. The combined Horse Well inferred resources total 257,000 oz (refer ASX Announcement 20 August 2019).

The Company's aim is to define shallow high-grade Mineral Resources within the Project that at these gold prices will support trucking and toll milling, or as initial Resources for future stand-alone mining operations.

Mineral Resource Estimates

The Company completed a **revised** Mineral Resource Estimates for the Palomino and Filly South West prospects where additional drilling and improvements to data and geological interpretation has warranted such estimate. In addition, the revised estimates are now consistent in method with Mineral Resources for the Warmblood and Dusk til Dawn prospects. (Refer ASX release dated 26 August 2019)

The revised gold Mineral Resources in compliance with JORC 2012, are listed in Table 1 below:

Table 1: Revised Horse Well Mineral Resources - August 2019 (various Au cut-off)

Area	Category	Cut-off (g/t)	Tonnes	Grade (g/t)	Ounces
Palomino	Inferred	0.5 (<100m)	607,600	1.8	34,400
	Inferred	2.0 (>100m)	322,800	3.3	33,900
	Inferred	*Sub-total*	*930,400*	*2.3*	*68,300*
Filly SW	Inferred	0.5	302,400	1.8	17,200
TOTAL	**Inferred**		**1,232,800**	**2.2**	**85,500**

Notes:

- *All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.*
- *The cut-off grade for the Filly SW resource is 0.5 g/t Au.*
- *The cut-off grade for the Palomino resources is 0.5 g/t Au less than 100m depth below surface and 2 g/t for material greater than 100m depth..*
- *The Inferred Resource has been estimated using appropriate high grade cuts and minimum mining widths*

Combining all Inferred Resources within the Horse Well JV results in a new total of 5.7 million tonnes at a grade of 1.4 g/t for 257,000 ounces as shown in Table 2 below:

Table 2: Combined Horse Well Inferred Resources as at August 2019.

Year	Area	Category	Tonnes	Grade (g/t)	Ounces
2015	Filly	Inferred	206,000	1.3	8,700
2019	Warmblood	Inferred	788,000	2.1	53,900
	Palomino	Inferred	930,400	2.3	68,300
	Filly SW	Inferred	302,400	1.8	17,200
	Dusk til Dawn	Inferred	3,495,600	1.0	108,900
COMBINED TOTAL		**Inferred**	**5,722,400**	**1.4**	**257,000**

Notes:

- *All figures are rounded to reflect appropriate levels of confidence. Apparent differences may occur due to rounding.*
- *The cut-off grades for 2015 Resources are 0.50 g/t for Oxide, 0.75 g/t for Transition and 1.00 g/t for Fresh weathering classifications.*
- *The cut-off grades for 2019 Resources is 0.50 g/t for all weathering classifications, except Palomino which has a cut-off of 2 g/t Au below 100 metres depth.*
- *The Inferred Resource has been estimated using appropriate high-grade cuts, minimum mining widths and dilutions).*

RC Drilling

A program of RC drilling was conducted during November 2019 (refer ASX Announcement 16 December 2019 and 16 January 2020).

Palomino

A total of nine RC holes for 1,221 metres and 779 samples were drilled within the mineralised trend during November 2019 (Refer ASX Announcement 16 December 2019) . At Palomino the purpose was two-fold, firstly to confirm the orientation of mineralisation and secondly to test for the extent of higher-grade shoots at depth.

The most recent drilling returned a number of very strong intersections that confirm the shallow high-grade nature of the deposit. Drilling was very successful in confirming that the sub-vertical structure tends to dip to the west when forming higher grade shoots.

Bronco

A total of 15 RC holes, were drilled for 1,746 metres and 997 samples at the Bronco prospect. The drilling was testing potential high-grade mineralised structures that were interpreted to be sub-parallel to historic drilling.

Results do not appear to have confirmed this model, and there remains doubt on orientation of the mineralisation. Grades do not seem to reflect historical results in some cases, however there remains an area that may be sufficient to define a small Mineral Resource.

The Company will compile the data in more detail and complete a new geological model.

Warmblood RC Drilling

A total of six RC holes for 720 metres and 344 samples were drilled within the mineralised trend. At Warmblood the purpose was two-fold, firstly to confirm the orientation and distribution of mineralisation and secondly to test for the extent of higher-grade shoots at depth.

The drilling reconfirmed the presence of shallow supergene mineralisation. Those holes designed to test for depth extensions were not successful and appear to define a sub-horizontal 'keel' or tight synformal structural base to the two mineralised structures.

The most northern hole AHWR106 was designed to test below previous hole AHWR063 which had ended with an assay of 8.20 g/t Au. The new hole has confirmed a typical sub-vertical structure below AHWR063, but also was drilled deeper where strong silica-sulphide alteration was observed which is mineralised from 100 metres to the end of hole at 108 metres.

Further Activities

There are numerous significant assays from 4 metre composite samples. The individual 1 metre samples are stored at the project and will be collected and submitted for analysis.

Upon receiving these final assays, new geological models will be interpreted and Mineral Resource updates completed.

Extra one metre samples for metallurgy were also collected from interpreted mineralised zones during drilling. Mineralised areas will be reviewed and composite metallurgical samples defined before submission for basic gold leaching and gravity recovery test-work.

Paterson Project – Gold/copper (RTX earning 70%)

The Company has entered into a Farm-In and Joint Venture Agreement with Rio Tinto Exploration Pty Limited (**RTX**) whereby RTX can explore and earn a majority interest in the Company's Exploration Licence EL 45/4807 located in the Paterson region of Western Australia (Figure 8). RTX is a wholly owned subsidiary of Rio Tinto Limited (**Rio Tinto**) (*refer ASX release 18 June 2018*). RTX is completing the initial earn-in commitment whereby they can earn a 70% interest in the Tenement by spending $500,000 and completing at least 500 metres of drilling, within 3 years.

E45/4807 is a large 423 square kilometre tenement containing similar geology to Newcrest Mining's world class 32Moz Telfer gold deposit. The project is located only 25 kilometres to the north-west of Telfer and 50 kilometres south-east of Rio Tinto's exciting Winu copper-gold discovery. Very limited historical exploration has been completed within the project area.

Activities undertaken by RTX included earthworks for the camp site, a major portion of the access tracks and 7 of the 8 drill pads for a proposed initial reverse circulation (RC) drilling program on E 45/4807. All Programmes of Work (PoWs) were obtained and approved for the drill programme (Refer ASX release dated 20 January 2020).

Further Activities

The drilling programme is expected to be undertaken in April-May 2020, subject to weather and the scheduling of RTX's broader Paterson programme activities and related drill rig movements.

Ophara Cobalt-Gold Project (100%)

The Ophara project lies adjacent to the South Australian border west of Broken Hill in New South Wales in an area which is known to have significant Cobalt mineralisation with large resources defined at the adjacent Mutooroo and Thackaringa deposits.

The Company has an advanced cobalt-gold prospect at the Great Goulburn Prospect. The mineralisation style has similarities to both Mutooroo and Thackaringa Cobalt deposits however it is unique in having low-copper and high-gold mineralisation associated with the Cobalt.

A second mineral target was defined from the extensive soil sampling completed in 2018, which is vein-hosted sideritic copper-gold style mineralisation. This has been found in the area of the small historic Kitchies Reward shaft near the eastern boundary of the Project. A large early stage copper-gold soil anomaly trend over at least 3km is present and remains unsampled further east and to the north and south.

The Company is currently in discussions with other companies regarding sale and joint venture opportunities on this project.

CORPORATE

A placement was made on 25 October 2019 of 265,000,000 shares at $0.002 raising $530,000 before costs (refer ASX announcement 25 Oct 2019).

An Entitlements Issue was offered to shareholders in October-November 2019 and raised $260,800 before costs from the issue of 130,399,738 new shares at $0.002 each.

Matters subsequent to the end of the financial period

On 18 February 2020, the Company announced that, subject to shareholder approval, it is purchasing 100% of the unlisted public Company, Dingo Resources Limited. Upon acquisition of Dingo, Alloy will execute Option Agreements to purchase the Morgan Range and Bryah Basin Projects as follows:

Morgan Range

Dingo has entered into a sale and purchase agreement with Rio Tinto Exploration Pty Ltd (ACN 000 057 125) (**RTX**) for tenement application E69/3400 and all rights to E69/3400 (when granted) (**RTX Agreement**).

Under the RTX Agreement, Dingo is required to:

(a) pay $50,000 to RTX in two tranches as follows: $25,000 within 15 months from execution and $25,000 at completion;
(b) issue securities having a value equal to $200,000 to RTX at completion;
(c) pay an ad-valorem royalty of 1.5% on all sales of metal or mineral products produced from the tenement to RTX; and
(d) drill test the Morgan Range TEM target with a minimum of 2,000m of drilling with at least one hole to at least 400m depth within 3.5 years from execution.

RTX will have the right to re-acquire (or 'claw-back') a 60% unincorporated joint venture interest in the Tenement on the definition of a Mineral Resource on the Tenement with an in-situ Value of at least A$1 billion by:

(a) Reimbursing Dingo's Exploration Expenditure to date on the Tenement; and
(b) Undertaking to sole fund the first A$40 million of joint venture expenditure.

Subject to RTX not having exercised its Clawback Right, Dingo agrees to pay RTX in cash an amount equivalent to 15% of the value of any consideration received from an on-sale of any interest in the Tenement within five years of the exercise date.

Bryah Basin

Dingo has entered into two option agreements with Gateway Projects WA Pty Ltd (**Gateway Projects**) and Omni Geox Pty Ltd (**Omni Geox**) respectively for an exclusive option to purchase exploration licences in the Bryah Basin (**Gateway Options**). Gateway Projects and Omni Geox are wholly owned subsidiaries of Gateway Mining Limited (ASX: GML) (**Gateway**) and the key terms were announced on 21 February 2019 by Gateway.

Dingo may exercise its option to purchase the exploration licences if it:

(a) pays cash consideration of $200,000 at completion and $175,000 within 12 months of completion;
(b) issues 20,000,000 fully paid ordinary shares at a deemed issue price of $0.02 per share to Gateway Projects (i.e. value of $400,000); and
(c) grants Gateway Projects and Omni Goex a 1.5% net smelter royalty over the tenements.

Proposed Transaction Details

Settlement of the Acquisition will be conditional on the satisfaction of certain conditions precedent. These include Alloy receiving binding commitments from third parties to raise a minimum of $1,000,000 under a capital raising, the parties undertaking due diligence and obtaining all necessary ASX, third party consents (including approval of Gateway and RTX), necessary regulatory approvals. The ASX has confirmed to Alloy that it will not exercise its discretion to apply ASX Listing Rule 11.1.3.

<u>Share Consolidation</u>

Should the proposed transaction proceed, the Company will be seeking shareholder approval for a share consolidation on the basis of 1 share for every 10 shares held. Settlement of the acquisition will be on a post consolidation basis.

<u>Consideration</u>

In consideration for the proposed Acquisition, Alloy proposes at Settlement to issue:
(a) 45,000,000 fully paid ordinary shares in the capital of Alloy (**Alloy Shares**) to the shareholders of Dingo (on a post-consolidation basis);
(b) 20,000,000 Alloy Shares to Gateway (on a post-consolidation basis); and
(c) 10,000,000 Alloy Shares to RTX (on a post-consolidation basis).
The directors and major shareholders of Dingo have agreed to a 6-month voluntary escrow.

<u>New Director</u>

Following Settlement, it is proposed that Paul Skinner (current director of Dingo) will join the Alloy board. Mr Skinner is a Chartered Accountant with over 35 years' experience growing numerous businesses from start up to established successful operations.
Existing Director, Kevin Hart will resign as Non-Executive Director but will remain in his position as Company Secretary. There will be no other changes to management or staff of Alloy.

<u>Advisor Shares and options</u>

It is proposed that JP Equity be issued 1,500,000 Advisor Shares for providing advice on the Transaction in addition to coordinating the Capital Raising.

<u>General Meeting</u>

A General Meeting of shareholders has been convened for 8 April 2020, at which approval will be sought for:

1. the Share Consolidation;
2. approval for the issue of the Consideration Shares;
3. ratification of Tranche 1 placement shares;
4. issue of Tranche 2 share placement capital raising;
5. approval to issue 1,500,000 Advisor Shares; and
6. election of Paul Skinner as a Director.

Capital Raising

On 27 February 2020, the Company announced that firm placement commitments had been received from professional and sophisticated investors to raise A$1,000,000 before costs. The Placement will take place in two tranches.

Tranche 1

The tranche 1 placement of 180,919,338 ordinary fully paid shares at A$0.002 (0.2 cents) was issued within Alloy's current placement capacity under ASX Listing Rules 7.1 (154,164,244 shares) and 7.1A (26,755,094 shares) pricing requirements raising $361,838 on 10 March 2020.

Tranche 2

The tranche 2 placement of 31,908,100 post consolidation shares at A$0.02 (2 cents) raising $638,162 will be completed subject to shareholder approval at a meeting to be convened on 8 April 2020.

Subject to shareholder approval, the Company will issue post consolidation 15 million unlisted broker options, exercisable by payment of 2.5 cents each and expiring 18 months from the date of issue.

Other than the above, 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.

Auditors Independence Declaration

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

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

DATED at Perth this 12th day of March 2020.

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 of Alloy Resources Limited for the half-year ended 31 December 2019 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

Matthew Beevers

Partner

Perth

12 March 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half-year ended 31 December 2019

	Note	Consolidated 31 December 2019	31 December 2018 $
Other income		**12,000**	-
Non-executive directors Fees		**(30,000)**	(30,000)
Depreciation and amortisation		**(1,658)**	(1,914)
Occupancy expenses		**(6,349)**	(11,646)
Accounting and administrative expenses		**(120,228)**	(100,031)
Employee expenses		**(29,607)**	(34,085)
Share based payment expense		**(30,076)**	-
Insurance		**(8,299)**	(8,931)
Other expenses		**(18,960)**	(9,026)
Project evaluation and generation expenses		**(2,905)**	-
Exploration costs written off	3	**(69,628)**	(1,444,584)
Results from operating activities		**(305,710)**	(1,640,217)
Finance income		**148**	4,866
Loss before income tax		**(305,562)**	(1,635,351)
Income tax expense		**-**	-
Loss for the period		**(305,562)**	(1,635,351)
Other comprehensive income for the period		**-**	-
Total comprehensive loss for the period		**(305,562)**	(1,635,351)
Loss per share:			
Loss per share (cents)		**(0.017)**	(0.011)
Diluted loss per share (cents)		**(0.017)**	(0.011)

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

Condensed Consolidated Statement of Financial Position
As at 31 December 2019

	Note	Consolidated 31 December 2019 $	30 June 2019 $
Current assets			
Cash and cash equivalents		**382,277**	446,180
Trade and other receivables		**42,982**	2,948
Other current assets		**8,956**	1,135
Total current assets		**434,215**	450,263
Non- current assets			
Plant and equipment		**6,669**	8,327
Capitalised mineral exploration and evaluation expenditure	3	**5,531,151**	4,977,761
Security deposits		**20,458**	20,458
Total non-current assets		**5,558,278**	5,006,546
Total assets		**5,992,493**	5,456,809
Current liabilities			
Trade and other payables		**140,494**	72,207
Provisions		**96,403**	88,547
Total current liabilities		**236,897**	160,754
Total liabilities		**236,897**	160,754
Net assets		**5,755,596**	5,296,055
Equity			
Issued capital	4	**21,403,316**	20,668,289
Accumulated losses		**(15,728,669)**	(15,423,107)
Reserves		**80,949**	50,873
Total equity		**5,755,596**	5,296,055

The above condensed consolidated 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 2019

Consolidated	Share Capital	Accumulated losses	Equity Remuneration Reserve	Total
	$	$	$	$
Balance as at 1 July 2019	**20,668,289**	**(15,423,107)**	**50,873**	**5,296,055**
Loss for the period		**(305,562)**	**30,076**	**(275,486)**
Other comprehensive income for the period		**-**	**-**	**-**
Total comprehensive loss for the period		**(305,562)**	**30,076**	**(275,486)**
Transfer from equity remuneration reserve				
Transactions with equity holders in their capacity as equity holders:				
Issue of shares	**790,799**	**-**	**-**	**790,799**
Transaction costs of equity issued	**(55,772)**	**-**	**-**	**(55,772)**
Balance as at 31 December 2019	**21,403,316**	**(15,728,669)**	**80,949**	**5,755,596**

Consolidated	Share Capital	Accumulated losses	Equity Remuneration Reserve	Total
	$	$	$	$
Balance as at 1 July 2018	**19,975,606**	**(13,587,432)**	**50,873**	**6,439,047**
Profit/(loss) for the period	**-**	**(1,635,351)**	**-**	**(1,635,351)**
Other comprehensive income for the period	**-**	**-**	**-**	**-**
Total comprehensive loss for the period	**-**	**(1,635,351)**	**-**	**(1,635,351)**
Transfer from equity remuneration reserve				
Transactions with equity holders in their capacity as equity holders:				
Issue of shares	**440,100**	**-**	**-**	**440,100**
Transaction costs of equity issued	**(26,220)**	**-**	**-**	**(26,220)**
Balance as at 31 December 2018	**20,389,486**	**(15,222,783)**	**50,873**	**5,217,576**

The above condensed consolidated 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 2019

	Consolidated	
	31 December 2019 $	31 December 2018 $
Cash flows from operating activities		
Interest received	**148**	**4,866**
Payments to suppliers and employees	**(228,588)**	**(205,764)**
Net cash (used in) operating activities	**(228,440)**	**(200,898)**
Cash flows from investing activities		
Payments for exploration and evaluation	**(582,490)**	**(931,742)**
Proceeds from option agreement	**-**	**40,000**
Net cash (used in) investing activities	**(582,490)**	**(891,742)**
Cash flows from financing activities		
Payment for the purchase of plant and equipment	**-**	**(5,217)**
Proceeds from sale of tenement	**12,000**	**-**
Proceeds from issue of shares and shares to be issued	**790,800**	**400,100**
Payments for share issue costs	**(55,773)**	**(26,220)**
Net cash provided by financing activities	**747,027**	**368,663**
Net increase/(decrease) in cash held	**(63,903)**	**(723,977)**
Cash and cash equivalents at the beginning of the period	**446,180**	**1,260,481**
Cash and cash equivalents at the end of the period	**382,277**	**536,504**

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

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 2019 comprises the Company and its subsidiaries (together referred to as the "consolidated entity" or "Group")).

The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The consolidated annual financial report of the Group as at and for the year ended 30 June 2019 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 2019 and any public announcements made by the Group 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 12th March 2020.

(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 $197,318 as at 31 December 2019 and had net cash outflows of $63,903 for the period (including net proceeds from share issues of $735,026). The Group incurred a loss for the period of $305,562.

Subsequent to the end of the financial period the Company announced that, subject to shareholder approval, the Company will purchase 100% of the unlisted public company, Dingo Resources Limited and has commenced a two-tranche capital raising. As set in Note 7, Dingo Resources Limited has previously executed agreements which, if completed, will require cash payments of $425,000.

The tranche 1 placement of 180,919,338 ordinary fully paid shares at A$0.002 (0.2 cents) was issued within Alloy's current placement capacity under ASX Listing Rules 7.1 (154,164,244 shares) and 7.1A (26,755,094 shares) pricing requirements raising $361,838 on 10 March 2020.

The tranche 2 placement of 31,908,100 post consolidation shares at A$0.02 (2 cents) raising $638,162 is expected to be completed, subject to shareholder approval, on or around 8 April 2020.

(c) Going concern continued

The directors have reviewed the Group's financial position and forecast cash flows and have assessed that the Group will be required to raise additional funds by way of issuing equity to continue its exploration program as forecast, including planned exploration activities in relation to the projects of Dingo Resources Limited.

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 but is able to curtail expenditure to preserve available cash reserves, if required.

The directors are therefore of the opinion that the use of the going concern basis is appropriate in the circumstances. Should the Group not be successful in obtaining adequate funding, there is a material uncertainty 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

(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 2019.

(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 Group'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 2019.

(f) Adoption of New and Revised Standards

New Standards and Interpretations applicable for the half year ended 31 December 2019

In the period ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current reporting period. As a result of this review, the Directors have determined that, with the exception below, there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

AASB 16 Leases

Change in accounting policy

AASB 16 Leases supersedes AASB 117 Leases. The Group has adopted AASB 16 from 1 July 2019. The changes result in almost all leases where the Group is the lessee being recognised on the Statement of Financial Position and removes the former distinction between 'operating and 'finance' leases. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term leases and leases of low value assets.

The Group leases its head office premises. Prior to 1 July 2019, leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, where the Company is a lessee, the Group recognises a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group (i.e. commencement date). Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

(f) Adoption of New and Revised Standards continued

AASB 16 Leases

Change in accounting policy continued

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the rate implied in the lease. If this rate is not readily determinable, the Group uses its incremental borrowing rate.

Lease payments included in the initial measurement if the lease liability consist of:

• Fixed lease payments less any lease incentives receivable;

• Variable lease payments that depend on an index or rate, initially measured using the index or rate at commencement date;

• Any amounts expected to be payable by the Group under residual value guarantees;

• The exercise price pf purchase options, if the Group is reasonably certain to exercise the options; and

• Termination penalties of the lease term reflects the exercise of an option to terminate the lease.

Extension options are included in a number of property leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if, at commencement date, it is reasonably certain that the options will be exercised.

Subsequent to initial recognition, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The lease liability is remeasured (with a corresponding adjustment to the right-of-use asset) whenever there us a change in the lease term (including assessments relating to extension and termination options), lease payments due to changes in an index or rate, or expected payments under guaranteed residual values

Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before commencement date, less any lease incentives received and any initial direct costs. These right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Where the terms of a lease require the Group to restore the underlying asset, or the Group has an obligation to dismantle and remove a leased asset, a provision is recognised and measured in accordance with AASB 137. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated on a straight-line basis over the term of the lease (or the useful life of the leased asset if this is shorter). Depreciation starts on commencement date of the lease.

As the Group’s only lease relating to its head office expires on 30 November 2020 and has an annual lease payment of $11,427 (excluding GST) AASB16 has not been applied to this lease payment as it is not considered material to the Group’s financial statements.

Standards and Interpretations in issue not yet effective

The Directors have also reviewed all Standards and Interpretations in issue not yet effective for the period ended 31 December 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet effective on the Company and, therefore, no change is necessary to Group accounting policies.

Note 2 Dividends

No dividends were paid or proposed during the half year ended 31 December 2019.
The Company has no franking credits available as at 31 December 2019.

Note 3 Capitalised mineral exploration and evaluation expenditure

	Dec 2019	June 2019
In the exploration and evaluation phase	**$**	$
Cost brought forward	**4,977,761**	5,447,695
Exploration expenditure incurred during the year	**623,018**	1,040,743
Exploration expenditure expensed/written off during the period (i)	**(69,628)**	(1,510,677)
Cost carried forward	**5,531,151**	4,977,761

(i) 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.

Where facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the expenditure has been impaired down to its recoverable amount. Exploration expenditure written off during the period was $69,628.

Note 4 Contributed equity

		Company			
		31 December 2019		31 December 2018	
		No.	**$**	No.	$
Issued share capital		**1,693,277,613**	**21,403,315**	1,577,077,613	20,389,486
Share movements during the period	*Issue price*				
At the beginning of the period		**1,693,277,613**	**20,668,289**	1,451,334,758	19,975,606
Placement		**265,000,000**	**530,000**	-	-
Entitlement Issue		**130,399,738**	**260,800**	-	-
Share purchase plan	$0.0035	**-**	**-**	114,314,284	400,100
Issued in lieu of drilling costs	$0.0035	**-**	**-**	11,428,571	40,000
Capital raising costs		**-**	**(55,773)**	-	(26,220)
At the end of the period		**2,088,677,351**	**21,403,316**	1,577,077,613	20,389,486

Note 5 Options

During the period, shareholders approved the granting of a total of 60,000,000 unlisted options to Meesrs Viner, Hart and Powell

As at 31 December 2019, the Company had the following options on issue:

- 60,000,000 unlisted options exercisable by payment of 0.4 cents each on or before 30 November 2022.
- 10,000,000 unlisted options exercisable by payment of 0.5 cents each on or before 30 November 2021.

Note 6 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 7 Events occurring after the balance sheet date

On 18 February 2020, the Company announced that, subject to shareholder approval, it is purchasing 100% of the unlisted public Company, Dingo Resources Limited. Upon acquisition of Dingo, Alloy will execute Option Agreements to purchase the Morgan Range and Bryah Basin Projects as follows:

Morgan Range

Dingo has entered into a sale and purchase agreement with Rio Tinto Exploration Pty Ltd (ACN 000 057 125) (**RTX**) for tenement application E69/3400 and all rights to E69/3400 (when granted) (**RTX Agreement**).

Under the RTX Agreement, Dingo is required to:
(e) pay $50,000 to RTX in two tranches as follows: $25,000 within 15 months from execution and $25,000 at completion;
(f) issue securities having a value equal to $200,000 to RTX at completion;
(g) pay an ad-valorem royalty of 1.5% on all sales of metal or mineral products produced from the tenement to RTX; and
(h) drill test the Morgan Range TEM target with a minimum of 2,000m of drilling with at least one hole to at least 400m depth within 3.5 years from execution.

RTX will have the right to re-acquire (or 'claw-back') a 60% unincorporated joint venture interest in the Tenement on the definition of a Mineral Resource on the Tenement with an in-situ Value of at least A$1 billion by:

(c) Reimbursing Dingo's Exploration Expenditure to date on the Tenement; and
(d) Undertaking to sole fund the first A$40 million of joint venture expenditure.

Subject to RTX not having exercised its Clawback Right, Dingo agrees to pay RTX in cash an amount equivalent to 15% of the value of any consideration received from an on-sale of any interest in the Tenement within five years of the exercise date.

Bryah Basin

Dingo has entered into two option agreements with Gateway Projects WA Pty Ltd (**Gateway Projects**) and Omni Geox Pty Ltd (**Omni Geox**) respectively for an exclusive option to purchase exploration licences in the Bryah Basin (**Gateway Options**). Gateway Projects and Omni Geox are wholly owned subsidiaries of Gateway Mining Limited (ASX: GML) (**Gateway**) and the key terms were announced on 21 February 2019 by Gateway.

Note 7 Events occurring after the balance sheet date continued

Dingo may exercise its option to purchase the exploration licences if it:

(a) pays cash consideration of $200,000 at completion and $175,000 within 12 months of completion;
(b) issues 20,000,000 fully paid ordinary shares at a deemed issue price of $0.02 per share to Gateway Projects (i.e. value of $400,000); and
(c) grants Gateway Projects and Omni Goex a 1.5% net smelter royalty over the tenements.

Proposed Transaction Details

Settlement of the Acquisition will be conditional on the satisfaction of certain conditions precedent. These include Alloy receiving binding commitments from third parties to raise a minimum of $1,000,000 under a capital raising, the parties undertaking due diligence and obtaining all necessary ASX, third party consents (including approval of Gateway and RTX), necessary regulatory approvals. The ASX has confirmed to Alloy that it will not exercise its discretion to apply ASX Listing Rule 11.1.3.

Share Consolidation

Should the proposed transaction proceed, the Company will be seeking shareholder approval for a share consolidation on the basis of 1 share for every 10 shares held. Settlement of the acquisition will be on a post consolidation basis.

Consideration

In consideration for the proposed Acquisition, Alloy proposes at Settlement to issue:
(a) 45,000,000 fully paid ordinary shares in the capital of Alloy (**Alloy Shares**) to the shareholders of Dingo (on a post-consolidation basis);
(b) 20,000,000 Alloy Shares to Gateway (on a post-consolidation basis); and
(c) 10,000,000 Alloy Shares to RTX (on a post-consolidation basis).
The directors and major shareholders of Dingo have agreed to a 6-month voluntary escrow.

New Director

Following Settlement, it is proposed that Paul Skinner (current director of Dingo) will join the Alloy board. Mr Skinner is a Chartered Accountant with over 35 years' experience growing numerous businesses from start up to established successful operations.
Existing Director, Kevin Hart will resign as Non-Executive Director but will remain in his position as Company Secretary. There will be no other changes to management or staff of Alloy.

Advisor Shares and options

It is proposed that JP Equity be issued 1,500,000 Advisor Shares and 15,000,000 unlisted options post consolidation exercisable by payment of 2.5 cents each on or before 18 Mmonths for issue for providing advice on the Transaction in addition to coordinating the Capital Raising.

General Meeting

A General Meeting of shareholders has been convened for 8 April 2020, at which approval will be sought for:

7. the Share Consolidation;
8. approval for the issue of the Consideration Shares;
9. ratification of Tranche 1 placement shares;
10. issue of Tranche 2 share placement capital raising;
11. approval to issue 1,500,000 Advisor Shares; and
12. election of Paul Skinner as a Director.

Capital Raising

On 27 February 2020, the Company announced that firm placement commitments had been received from professional and sophisticated investors to raise A$1,000,000 before costs. The Placement will take place in two tranches.

Note 7 Events occurring after the balance sheet date continued

Tranche 1

The tranche 1 placement of 180,919,338 ordinary fully paid shares at A$0.002 (0.2 cents) was issued within Alloy's current placement capacity under ASX Listing Rules 7.1 (154,164,244 shares) and 7.1A (26,755,094 shares) pricing requirements raising $361,838 on 10 March 2020.

Tranche 2

The tranche 2 placement of 31,908,100 post consolidation shares at A$0.02 (2 cents) raising $638,162 will be completed subject to shareholder approval at a meeting to be convened on 8 April 2020.

Subject to shareholder approval, the Company will issue post consolidation 15 million unlisted broker options, exercisable by payment of 2.5 cents each and expiring 18 months from the date of issue.

Other than the above, 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 8 to 18 are in accordance with the Corporations Act 2001, including:

   (i) complying with the Corporations Regulations 2001 and Australian Accounting Standard AASB 134 Interim Financial Reporting, and

   (ii) giving a true and fair view of the financial position of the Group as at 31 December 2019 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 and Group 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 12th day of March 2020.

Andrew Viner
Executive Chairman

KPMG

Independent Auditor's Review Report

To the shareholders of Alloy Resources Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Alloy Resources Limited.

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:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2019 and of 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*.

The ***Interim Financial Report*** comprises:

- Condensed consolidated statement of financial position as at 31 December 2019
- Condensed consolidated interim statement of profit or loss and other 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
- Notes 1 to 7 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Alloy Resources Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Material uncertainty related to going concern – emphasis of matter

We draw attention to Note 1(c), "Going Concern" in the Interim Financial Report. The conditions disclosed in Note 1(c), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the Interim Financial Report. Our conclusion is not modified in respect of this matter.

KPMG

Responsibilities of the Directors for the Interim 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*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

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 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 2019 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.

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

KPMG

KPMG

Matthew Beevers
Partner
Perth
12 March 2020