# Alloy

## Resources Limited

ABN 20 109 361 195

# Prospectus

For the offer of 25,000,000 Shares at an issue price of $0.20 per Share together with one free attaching three year $0.20 Option per Share (with provision for up to a further 10,000,000 Shares and free attaching Options by way of oversubscription)

Underwriter:
KTM Capital Pty Ltd
ABN 34 086 281 950

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisor. The Securities offered under this Prospectus should be considered speculative.

# Corporate Directory

Alloy
Resources Limited
ABN 20 109 361 195

## Company Directors

Peter Harold, Non-executive Chairman
Dr. Jayson Meyers, Managing Director
Peter Hepburn-Brown, Executive Director
Kevin Hart, Non-executive Director

## Company Secretary

Kevin Hart

## Investigating Accountants

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

## Solicitors

Wright Legal
1/103 Colin Street
West Perth, WA 6005
Telephone: (61 8) 9327 0800
Facsimile: (61 8) 9327 0888

## Independent Geologists

Mackay & Schnellmann Pty Limited
4 Lawrence Avenue
West Perth, WA 6005
Telephone: (61 8) 9322 3600
Facsimile: (61 8) 9322 3699

## Company Registered and Principal Office

Level 2, 668 Murray Street
West Perth, WA 6005
Telephone: (61 8) 9289-9116
Facsimile: (61 8) 9289-9189
e-mail: info@alloyres.com

*Postal Address*
PO Box 1078
West Perth, WA 6872

## Underwriter

KTM Capital Pty Ltd
Level 2, 16 O'Connell Street
Sydney, NSW 2000
Telephone: (61 2) 9235-9900
Facsimile: (61 2) 9235-9999

## Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, WA 6153
Telephone: (61 8) 9315 2333
Facsimile: (61 8) 9315 2233

*Postal Address*
PO Box 535
Applecross, WA 6953

*Front cover image is an aerial photograph of the Comet Gold Mine taken in 2002 (courtesy of Big Bell Gold Operations Pty Ltd).*

This Prospectus is dated 14 February 2006 and was lodged with the Australian Securities and Investment Commission (ASIC) on 14 February 2006. No Securities will be issued or allotted on the basis of this Prospectus after its expiry date, being the date 13 months after the date of this Prospectus.

Neither ASIC nor the Australian Stock Exchange (ASX) take any responsibility for the contents of this Prospectus. The fact that ASX may list any of the Securities offered under this Prospectus is not to be taken as an indication of the merits of any of those Securities, Alloy Resources Limited (the "Company" or "Alloy") or any aspect of the Offer.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. This Prospectus only contains an invitation to all Australian and New Zealand residents to make an application to subscribe for Offer Securities pursuant to this Prospectus.

No person is authorised to give any information or to make any representation concerning the Offer not contained in this Prospectus. Any information or representation concerning the Offer which is not contained in this Prospectus should not be relied upon as having been authorised by the Company or its Directors.

Although the Company has issued this Prospectus in accordance with the provisions of the Corporations Act applicable to prospectuses, the Company specifically notes that the Offer does not take into account your specific investment needs or objectives. An investment in the Company must be considered speculative. Accordingly, the Company urges you to read this Prospectus in its entirety before making an Application. In particular, the Company draws your attention to those matters identified by the Company as representing risks to the Company and any investment in the Company (as set out in Section 6 of the Prospectus). In the context of your personal requirements and the risk factors, the Company recommends that you seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser prior to making any decision to apply for Securities.

For persons accessing the on-line version of the Prospectus, the Offer is only available to such persons accessing the Prospectus from within Australia and New Zealand. The Prospectus may be accessed on the internet at www.alloyres.com. A person who gives another person access to an Application Form must at the same time and by the same means give the other person access to the Prospectus (and any supplementary prospectus). If requested, the Company will make available at no charge a paper copy of the electronic Prospectus. No Application will be accepted in electronic form. Applications will only be accepted if the written Application Form, duly completed in accordance with the terms of the Offer and accompanied by the relevant Application Monies, is received by the Company or the Share Registry prior to close of the Offer.

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in the Glossary of Terms (Section 12). All financial amounts shown in this Prospectus are expressed in Australian Dollars unless otherwise stated. Photographs used in the Prospectus are illustrative only. They should not be taken to imply that a particular asset is owned by the Company.

## Privacy

If you apply for Securities under this Prospectus, you will be required to provide personal information to the Company and the Share Registry. The Company and the Share Registry will collect, hold and use your personal information in order to assess your Application, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

All personal information will be collected in accordance with the National Privacy Principles as set out in the Privacy Act 1988. The law requires that some of the information is required to be collected. If you do not provide the information requested, your Application may not be able to be processed.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers, including those listed below, or as otherwise authorised under the Privacy Act 1988:

- the Broker;
- the ASX for the purpose of confirming compliance with the Listing Rules.

Under the Privacy Act 1988, you may request access to your personal information held by (or on behalf of) the Company or the Share Registry. You can request access to your personal information by telephoning the Company or by writing to the Company or the Share Registry whose details are in the Corporate Directory section of the Prospectus.

*If you have any questions about how or whether to invest in the Company, you should contact your stockbroker, accountant or financial adviser.*

# Contents

# Chairman's Letter

Dear Investor,

I am delighted to present the opportunity for you to subscribe for Securities in Alloy Resources Limited ("Alloy or the Company"), a company with a primary focus on gold exploration and mining. Under this Prospectus, Alloy is raising $5,000,000 of new equity capital by the issue of 25,000,000 Shares at $0.20 per Share. Each Share issued under the Offer has a free attaching Option to acquire a Share in the Company at $0.20 per Option anytime up until 3 years after the Company is listed on the Australian Stock Exchange (ASX). The Company also reserves the right to accept subscriptions for a further 10,000,000 Shares and free attaching Options by way of oversubscription. The Company intends to apply for both the Shares and Options to be listed on the ASX.



Alloy has a diversified portfolio of gold projects ranging from pre-development projects, most with JORC ore resources in established mineral fields with significant additional prospectivity, through to a more grass roots exploration project in a new gold province in the north Kimberley region of Western Australia. The Company is aiming to increase its existing gold resource base on its advanced Western Australian exploration projects and then move into production as soon as possible, subject to statutory and economic conditions being satisfied. The Company's strategy is to reward its Shareholders by increasing its gold resources, generating cash flow by mining those resources to provide internal funding to grow the business with the ultimate aim of providing both capital growth and a dividend stream.

The Company is in a strong position for a small gold exploration and project development company with a resource base of approximately 218,000 ounces on its advanced projects, excellent exploration potential with identified drilling targets and a highly skilled and experienced Board. Each of the Company's Board members has complementary skills ranging from application of advanced exploration technologies, development and operation of small to large scale open cut and underground mining operations, plant construction and operations, project financing, corporate management and governance, project acquisition, and tenement management.

The Company has secured a 100% interest in the two significant gold projects, Comet-Webb's Patch and Horse Well. These projects already contain 218,000 ounces of JORC compliant gold resources. A mine plan has already been developed for the Comet Underground Project, based on a study carried out in 2002. There is excellent potential to increase the size of these resources through drilling extensions to the gold mineralisation along well defined structures with coincident geophysical targets that indicate continuity of mineralisation.

The Company's goal is to undergo a transition from explorer to miner as soon as possible. Funds from the Offer will be used to finance step-out exploration drilling and infill drilling to increase the size and confidence of resources and to quantify minable reserves at both the Comet and Horse Well projects. The Company's Board is aiming for early exploration successes that will increase gold resources at Comet and Horse Well in order to ensure the resource base is sufficient for economically robust mining operations. Mining feasibility studies will be carried out in parallel with the exploration activities to ensure planning is well advanced and a quick transition can be made from explorer to producer.

Please read through this prospectus carefully and prior to making any investment decisions it is recommended that you seek assistance from a professional financial advisor. When you are satisfied with the information provided in the prospectus, send your completed application form and funds to the address provided or submit them to your stockbroker or financial advisor.

The Board and I thank you for your interest and look forward to your investment in this exciting new gold exploration and mining company.

Peter Harold
Chairman

# 1 Key Dates and General Information

## Key Dates (indicative)

| | | |
|---|---|---|
| Application list opens (following the Exposure Period) | Tuesday | 21 February 2006 |
| Application list closes | Wednesday | 22 March 2006 |
| Date of dispatch of holding statements | Friday | 24 March 2006 |
| Date of quotation of Securities on the ASX | Wednesday | 29 March 2006 |

## Offer Statistics

| | |
|---|---|
| Offer Price | $0.20 |
| Offer Shares | 25,000,000 |
| Offer Options | 25,000,000 |
| Shares on issue following the Offer | 58,300,000 |
| Options on issue following the Offer | 25,000,000 |
| Gross Offer proceeds | $5,000,000 |
| Market Capitalisation at the Offer Price | $11,660,000 |
| Forecast expenditure for 2 year period after listing | $2,772,000 |
| Net tangible assets per Share (undiluted) | 11.5 cents (see note) |

*Note*: Based on the Pro Forma Balance Sheet (refer to Section 10), and does not account for oversubscriptions.

Gold ore exposed in the Comet Pit.

# 2 Investment Highlights

- The Company has an experienced team of mining industry professionals with a strong track record in mineral exploration, mining of small to large scale open cut and underground projects, development and construction of mining projects, mine operations, project finance, corporate management and tenement administration.

- The Company has secured quality gold projects at pre-development and exploration stage, incorporating a JORC gold resource base of 218,000 ounces contained within two advanced projects that are located within trucking distance to operating mills. These are the Comet-Webb's Patch project (JORC resource of 165,000 ounces) and the Horse Well project (JORC resource of 53,000 ounces).

- The Company has entered into agreements to purchase 100% of the Comet-Webb's Patch project and has applied for other surrounding tenements. This project has a JORC resource of 165,000 ounces. Gold mineralisation at the project is open along strike and depth, providing excellent structural drilling targets. The project is located within trucking distance to operating gold treatment facilities.

- The previous owner of Comet-Webb's Patch project submitted a Notice of Intent to mine the underground gold resource at Comet in 2002, and this will be reviewed as a possible scenario for the Company to commence mining of the Comet orebody. It is the Company's intention to carry out infill drilling and exploration drilling at this resource to increase the size and confidence of the gold resource. Other gold prospects in the Comet-Webb's Patch project area will be explored and re-evaluated for contained gold resources that could form the basis of a mine development plan for the entire project area. Mining feasibility studies will be carried out as soon as practical with the aim of commencing mine development in the short term.

- The Company intends to treat ore from the Comet-Webb's Patch project through operating treatment facilities at Mt Magnet which is located approximately 80 km from the Comet Project, mostly via sealed road access. Ore treatment through the Mt Magnet plant would be undertaken at arms length commercial rates. Access to this mill should accelerate the development of the Comet Project.

- The Company has entered into agreements to purchase 100% of the Horse Well project. This project has a JORC resource of 53,000 ounces. Gold mineralisation at the project is open along strike and depth, providing excellent structural drilling targets. The Horse Well project is located within trucking distance of operating gold treatment facilities.

- The Company has two grass root exploration properties. These are the 88 Creek project in the North Kimberley Region and the Doyle's Dam project near Kalgoorlie. Both projects offer exposure to previously under-explored regions and are longer term exploration opportunities for the Company.

- The Company's management team has the experience to apply the most advanced exploration methods, well structured and cost effective project financing techniques, and efficient mining methods to ensure a competitive advantage for the Company that will benefit Shareholders.

# 3 Details of the Offer

Before deciding to invest in the Company, potential Applicants should carefully read the entire Prospectus, and in particular, consider all the risk factors that could affect the financial performance of the Company.

## Description of the Offer

This Prospectus offers 25,000,000 Shares at an Offer Price of $0.20 per Share, payable in full on application. Each Share will also receive a free Option to acquire a Share at an exercise price of $0.20 per Option at anytime up until 3 years after the date of listing of the Company on the ASX. The Company also reserves the right to accept oversubscriptions for up to a further 10,000,000 Shares and free attaching Options. The Securities being offered under this Prospectus comprise an issue of new Shares and Options by the Company. The Shares to be issued under the Offer will rank equally in all respects with each other and the existing issued Shares of the Company after completion of the Offer. See Section 11 for details of the rights attaching to the Shares and Options.



## Purposes of the Offer

The purposes of the Offer are to:

- fund a two year program of exploration and pre-development capital expenditure of approximately $2,772,000;
- fund working capital requirements, duties and bonds, general administration and operating costs of approximately $1,708,000;
- pay the costs of the Offer and Official Quotation of approximately $521,000;
- increase the public profile of the Company both nationally and internationally; and
- allow access to equity markets in order to fund future growth opportunities both through acquisitions and other business opportunities.

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives stated in this Prospectus.

## Oversubscriptions

The Company reserves the right to accept subscriptions for up to an additional 10,000,000 Shares and free attaching Options in oversubscriptions (representing up to an additional $2,000,000). The maximum amount which may be raised under this Prospectus is therefore $7,000,000 by the issue of a maximum 35,000,000 Shares and Options.

Funds raised through oversubscription will be applied on an as needs basis to the projects listed in this Prospectus, used for new project acquisition, and for additional working capital.

Should the Company issue the maximum amount of Securities under this Prospectus, it will have the effect of increasing current assets and Shareholders' equity / net assets shown in the Pro Forma Balance Sheet summary in Table 1 by an amount of $1,880,000 (after costs).

## Financial Position

A summary of the Company's Pro Forma Balance Sheet is shown in Table 1, incorporating the Balance Sheet as at 30 September 2005 adjusted for the Offer. The assumptions underlying the summary Pro Forma Aggregate Balance Sheet, Historical and Pro Forma Financial Information and a detailed Pro Forma Balance Sheet are set out in Section 10. This summary is based on a capital raising of $5,000,000 under this Prospectus and does not account for oversubscriptions.

Table 1 – Pro Forma Balance Sheet after Offer (assumes no oversubscriptions).

| | $ |
|---|---|
| Current Assets | 4,141,255 |
| Non-Current Assets | 2,909,851 |
| Total Assets | 7,051,106 |
| Current Liabilities | 359,805 |
| Total Liabilities | 359,805 |
| Shareholders Equity / Net Assets | 6,691,301 |

## Asset Backing

Based on the Pro Forma Balance Sheet detailed in the Historical and Pro Forma Financial Information in Section 10, the Company's pro forma net tangible asset backing per Share on a raising of $5,000,000 will be 11.5 cents at the time of its Official Quotation.

## Dividends

The Directors cannot and do not give any assurances as to the extent, timing, level of franking or payment of any future dividends as all of the foregoing are dependent upon a number of factors including the level of future earnings, the amount of tax paid, the financial position of the Company, future operating conditions and future cash requirements to fund growth.

## How to apply for Securities

An Application can be made only by completing an Application Form. Detailed instructions on the correct method of completing an Application Form are included at the end of this Prospectus and form part of the terms of the Application Form.

The Application Form must be accompanied by a cheque, in Australian Dollars, for the application monies. The minimum Application under this Offer is for 10,000 Offer Shares and Options (requiring an investment by an Applicant of $2,000 Application Monies) and thereafter in multiples of 1,000 Offer Shares. All cheques must be made payable to "Alloy Resources Limited IPO Account" and crossed "Not Negotiable".

The completed Application Form should be sent to:

*By post:*

Alloy Resources Limited Securities Offer
c/o Security Transfer Registrars Pty Ltd
PO Box 535
Applecross, WA 6953

*By hand:*

Alloy Resources Limited Securities Offer
c/o Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, WA 6153

no later than 5.00pm WST on the Closing Date. Payments by cheque will be deemed to be made when the cheque is honoured in full by the bank on which it is drawn. Applicants are advised to lodge their Applications as early as possible after the Offer opens.

The Company reserves the right, in consultation with the Underwriter, to close the Application list at any time during the Offer Period without prior notice. The Company, in consultation with the Underwriter, has the right to extend the Offer Period. The Company does not intend to accept Applications received after the Closing Date other than in satisfaction of the Underwriter's obligations to meet any shortfall in Applications.

## Acceptance of Applications

The Company may accept or reject any Application, or accept an Application in respect of a number of Offer Securities less than the number for which the Applicant applies. Acceptance of an Application by the Company creates a legally binding contract between the Applicant and the Company for the number of Offer Securities for which the Application is accepted. Acceptance of an Application only takes place on issue and allotment of the Offer Securities.

Where an Application is rejected, the Application Monies will be returned in full. If the number of Offer Securities allotted to the Applicant is fewer than the number for which the Applicant applied, the surplus Application Monies will be returned. Interest will not be paid on any returned Application Monies.

The Company will issue and allot the Offer Securities that are the subject of successful Applications as soon as possible after the Closing Date and the grant of ASX permission for Official Quotation of the Shares and Options, unconditionally or on conditions acceptable to the Directors.

Pending the issue and allotment by the Company of the Offer Securities, the Company will deposit Application Monies in a separate bank account and keep them there for so long as those Applications, or any part of them, are liable to be repaid in accordance with the Corporations Act and this Prospectus.

## ASX Listing

The Company will make an application to the ASX within 7 days after the date of this Prospectus for the Company to be admitted to the Official List of the ASX and for the Official Quotation of all Shares and Options.

The fact that ASX may grant Official Quotation of the Shares or Options is not to be taken as an indication of the merits of the Company or of any of the Shares and Option. ASX, its officers and employees take no responsibility for the contents of the Prospectus or the statements that it contains.

If granted, Official Quotation of the Shares and Options will commence as soon as is practicable after the issue of Security holding statements to Shareholders and Option holding statements to Optionholders.

If permission for Official Quotation of the Shares and Options is not granted or deemed granted within 3 months, none of the Offer Securities will be issued unless an exemption is granted by the ASIC permitting such issue. If no issue is made, all Application Monies will be returned within the time prescribed by the Corporations Act. Interest will not be paid on any Application Monies refunded.

## Clearing House Electronic Subregister System (CHESS)

The Company will apply to the ASX to participate in the Securities Clearing House Electronic Subregister System, known as CHESS. Under CHESS, the Company will not be issuing certificates to Shareholders and Optionholders.

Instead, Shareholders and Optionholders will receive a statement (similar to a bank account statement) that sets out the number of Shares and Options allotted to each of them under this Prospectus. The notice will also advise Shareholders and Optionholders of their Holder Identification Number and explain, for future reference, the sale and purchase procedures under CHESS. Further statements will be provided to holders which reflect any changes in their Shareholding and Optionholding during any subsequent month.

## Underwriting

The Offer is fully underwritten to $5,000,000 by KTM Capital Pty Ltd. The Underwriter is entitled to a management fee of 2% of the amount raised by the Company through the Underwriter under the Offer and an underwriting fee of 4% of the amount raised by the Company through the Underwriter under the Offer. The Company will also pay any GST payable in relation to any fees payable to the Underwriter. The Underwriter to the Offer and/or its nominees are entitled to purchase Shares under an arrangement set out in Section 11, and these Shares are considered to be held by Promoters and will be subject to escrow as described in Section 11. Details of the Underwriting Agreement, including the circumstances in which the Underwriter may terminate its obligations, is set out in Section 11 of the Prospectus.

## Overseas Investors

No action has been taken to register or qualify the Offer Securities or otherwise to permit a public offering of the Offer Securities, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons who obtain a copy of this Prospectus should inform themselves about, and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of those laws.

This Prospectus does not constitute an offer or invitation to apply for Offer Securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue this Prospectus.

Where this Prospectus has been dispatched to persons in jurisdictions outside of Australia and New Zealand where the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. This Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

It is the responsibility of any overseas resident Applicant to ensure that they comply with all laws of any country relevant to their Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty made by the Applicant to the Company that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

The Offer does not and will not constitute an offer of securities in the United States. Furthermore, no person ordinarily resident in the United States is permitted to submit an Application. If the Directors believe that any Applicant is ordinarily a resident in the United States, or is acting on behalf of a person or entity that is ordinarily a resident of the United States, the Directors will reject that Applicant's Application.

It is the responsibility of Applicants to obtain all necessary approvals for the subscription for any Offer Securities under this Prospectus.

## Electronic Prospectus

This Prospectus may be viewed online at www.alloyres.com. Applicants using the Application Form attached to the electronic form of this Prospectus must be residents of Australia or New Zealand. No Application will be accepted if sent in electronic form.

Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any Australian or New Zealand resident who requests a copy by contacting the Share Registry on (08) 9315 2333 during the Exposure Period and the Offer Period.

## Risk Factors

Investment in the Offer Securities pursuant to this Prospectus should be regarded as speculative because of the nature of the Company's proposed business. A summary of some of the risk factors that face the Company are set out in Section 6. Potential investors should read this Prospectus in full and consult their stockbroker, accountant or independent financial adviser if they require further information on the risks associated with investing in the Company before submitting an Application Form.

## Taxation Implications

The Company does not propose to give any taxation advice and neither the Company, its Directors or officers accept any responsibility or liability for any taxation consequence that may arise by persons subscribing for Shares or Options under this Prospectus. Investors should consult their own professional adviser in regard to the taxation implications of subscribing for Shares or Options under this Prospectus.

## No Prospective Financial Forecasts

The Company is an exploration company. Given the speculative nature of exploration, mineral development and production, there are significant uncertainties associated with forecasting future revenue. On this basis, the Directors believe that reliable financial forecasts cannot be prepared and accordingly have not included forecasts in this Prospectus.

## Enquiries

If you require assistance to complete the Application Form or require additional copies of this Prospectus, you should contact the Share Registry on (08) 9315 2333. If you are unclear in relation to any matter or are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your stockbroker, lawyer, accountant or other professional adviser.

## Summary Only

The information set out in this Section provides a summary of the information contained in this Prospectus. Applicants should read this Prospectus in its entirety prior to making a decision to apply for Shares and Options offered under this Prospectus. If you have any questions about investing in the Company, please contact your stockbroker, accountant or independent financial adviser.

# 4 Company and Projects Overview

## Introduction

The Company has acquired a number of mineral exploration tenements (see Section 8) with pre-development gold projects and advanced exploration areas identified by the Directors that contain an existing JORC gold resource base of approximately 218,000 ounces, which the Company believes are highly prospective with defined drill targets ready for immediate testing.

Further details of the Company's projects are summarised in this Section, and more details on the geology, mineralisation and tenement status are presented in Sections 7 and 8 of this Prospectus. The funds raised by this Prospectus are to be used for a program of exploration, resource drilling and feasibility studies to advance the Company's projects with the aim of commencing mining operations as soon as practical, subject to statutory and economic conditions precedent being satisfied.

## Strategy

It is the Company's intention to carry out geophysical surveys, geochemical sampling, structural studies, and drilling programs in and around the existing resources and advanced gold prospects. This exploration is designed to increase the resource inventory around mineralised zones with the intention to develop mining operations and gold production. The Comet-Webb's Patch and Horse Well projects are located within trucking distance of operating gold mills that could treat the Company's ore with the potential to generate an early cashflow without having to build a plant.

On completion of the Offer, the Company's strategy is to increase mineral resources at Comet – Webb's Patch and Horse Well through:

- drilling walk-up structural and electromagnetic targets along well defined trends of mineralisation;
- applying innovative electrical geophysical exploration methodologies for targeting resource and exploration drilling;
- using structural modelling to plan infill resource definition drilling;
- using existing drilling data to classify additional JORC resources; and
- carrying out feasibility studies for developing open cut and underground mining operations.

Geophysical surveys and drilling will also be undertaken at the 88 Creek prospect in the North Kimberley region.

## Projects Summary

The Company's major projects are located in proven gold producing districts of Western Australia and are at the pre-development stage (project locations are shown in Figure 1). Both the Comet-Webb's Patch and Horse Well projects will be 100% owned, and have a combined JORC resource inventory of approximately 218,000 ounces of gold. The main development project, Comet-Webb's Patch, currently contains a JORC resource of 165,000 ounces of gold at the Comet Mine. The other advanced project in the portfolio is Horse Well, which contains the Palomino Prospect that has a JORC indicated resource of 53,000 ounces of gold.

At both the Comet and Palomino prospects, the gold resources and mineralisation occurs along well defined geological structures, and gold mineralisation remains open at depth and along strike. There are several gold prospects at Comet-Webb's Patch where a large number of drillhole intersections contain high grade gold intersections, and there are other areas where high grade drilling results sit along structural trends where further drilling is required.

The Company has entered into a joint venture agreement with North Australian Diamonds Limited (formerly Striker Resources NL) to earn a majority interest in the gold and other metal rights over its 88 Creek project in the northern Kimberly region of Western Australia. North Australian Diamonds Limited has identified this region as an entirely new gold province though the discovery of gold grains in streams and soils above prospects that have been drill tested to prove the occurrence of gold in the bedrock. North Australian Diamonds Limited has carried out extensive exploration to bring this project into an advanced exploration stage.

The Company has developed an epithermal model for gold deposition in this region and for drill targeting the source of gold at 88 Creek and other prospects. It is the Company's intention to explore for economic gold mineralisation though the use of innovative geophysical and remote sensing technologies on the 88 Creek prospect. Exploration will also be carried out on other prospects and targets within the North Kimberley project area.

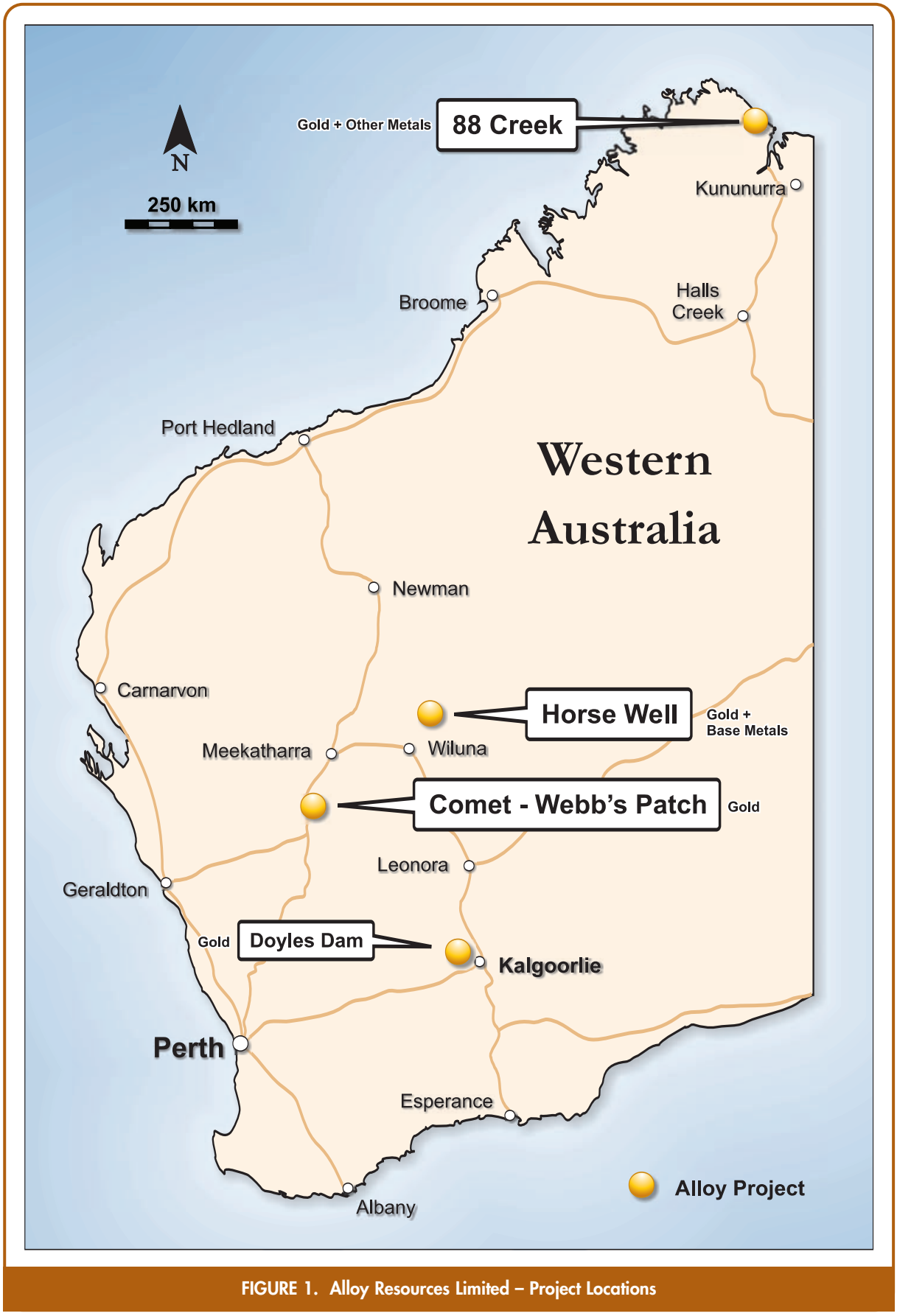


FIGURE 1. Alloy Resources Limited – Project Locations

## Comet-Webb's Patch Project

This is a pre-development project that also has advanced exploration targets. It is located 600 kilometres to the north-west of Perth. It sits between the multi-million ounce gold producing mines and towns of Mt Magnet and Meekatharra, 20 kilometres to the south-west of the historic gold mining town of Cue and the Golden Crown – Great Fingall mining centre, and occurs near the southern end of the Tuckabianna gold mining corridor (see Section 7).

The Company has entered into an agreement to purchase 100% of the project area from Big Bell Gold Operations Pty Ltd. The project acquisition comprises a cash payment of $1,250,000, the issue of 5,000,000 Shares in Alloy, and a $5 per ounce royalty capped on the first 200,000 ounces of gold produced.

The Company has applied for tenements over open ground adjacent to the Big Bell Gold Operations Pty Ltd tenements, and a joint venture agreement was signed with Anglo Australian Resources Limited that entitles the Company to earn 60% interest in their tenement E21/115, which sits in between Comet and Webb's Patch.

The Independent Geologists' Report in Section 7 of this Prospectus provides a combined JORC resource at Comet containing 165,000 ounces of gold comprised of:

| | |
|---|---|
| Inferred | 352,000 t @ 6.5 g/t gold (deeper zone below the Comet pit with wide drill spacing) |
| Indicated | 490,000 t @ 5.8 g/t gold (shallow zone directly below the Comet pit) |
| Total: | 842,000 t @ 6.1 g/t for 165,000 ounces |

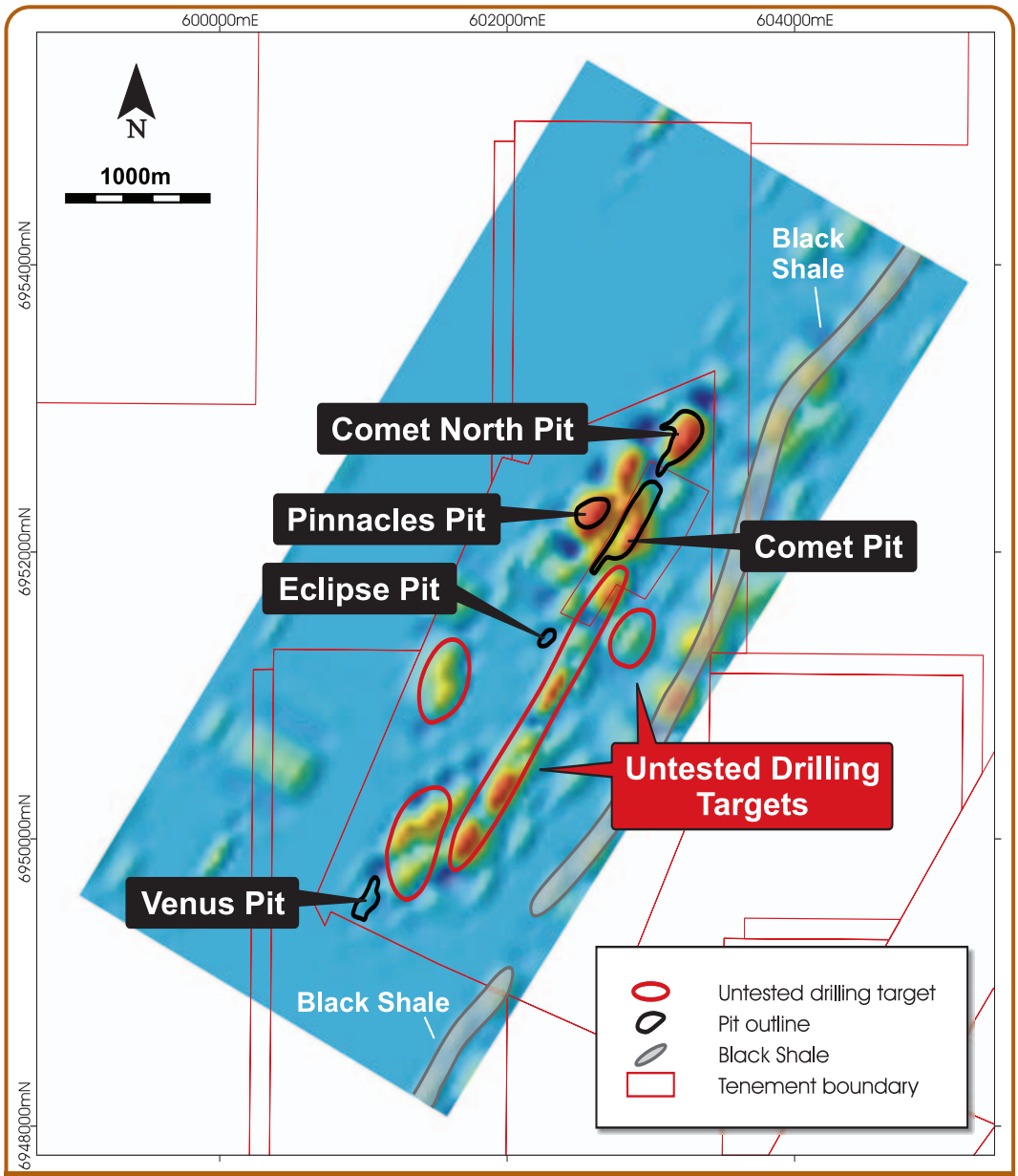


**FIGURE 2. Comet-Webb's Patch Project – TEMPEST Conductivity Depth Slice at 125 metres**

Big Bell Gold Operations Pty Ltd submitted a Notice of Intent to Mine the Comet underground in 2002 to the Western Australian Department of Industry and Resources (DOIR) and Department of Planning and Infrastructure. This submission will form the basis of the review to be undertaken by the Company with the intention of commencement of mining at Comet. The Company intends to treat ore through operating facilities at Mt Magnet which is located 80 kilometres from Comet, mostly on sealed roads.

The Comet orebody is open at depth and along strike, and there are walk-up drilling targets for testing the strike and plunge extensions of the resource. Pods of remnant ore also sit within the Comet, Comet North, Venus and Pinnacles open cut mines, and these occurrences will be assessed for mining.

A TEMPEST airborne electromagnetic survey was flown over Comet and was processed to give conductivity information at a depth interval of 5 metres down to 200 metres. The known conductive gold-pyrrhotite-pyrite mineralisation at Comet, Pinnacles and Comet North shows up in the conductivity depth slices at 80 metres depth, and a number of new conductive targets show up from 120 to 180 metres depth adjacent to the known mineralisation, and along the same mineralised trends in the west and to the south (see Figure 2).

The existing drilling is either too shallow or not in the correct location to have tested the geological source of the new conductive targets. The conductive targets are interpreted to be caused by pyrrhotite-pyrite alteration associated with gold mineralisation, and their locations in relation to known conductive ore zones provide evidence for plunge controlled extensions to the Comet resource and new target areas potentially extending the Comet mineralised structure by over two kilometres to the south-west.

Additional gold mineralisation occurs in the project area at the Comet North, Pinnacles, Eclipse, Venus and Webb's Patch prospects, and the drilling data will be evaluated for classifying JORC category resources at these prospects. Mineralisation at all of these prospects remains open at depth and along strike, and requires drilling with a view to defining further resources for mining. Exploration drilling will be carried out along the Comet mineralised trends, adjacent prospects, and new targets within the project area.

A two year budget of $1,195,000 is proposed for the Comet-Webb's Patch project area. The Company will focus on drilling for extensions to the minable resources, and drilling for blind ore shoots at Comet in order to prove up gold reserves. Mining feasibility studies on ore contained at the bottom of existing pits and underground will be carried out concurrently with exploration and resource definition drilling.

### Horse Well Project

This is a pre-development and advanced exploration gold project located 90 kilometres to the north-east of Wiluna in Western Australia on the northern most extension of the Archaean Yandal Greenstone Belt. This greenstone belt hosts the multi-million ounce Darlot-Centenary, Bronzewing and Jundee gold mines. Horse Well is 50 kilometres to the north of the operating Jundee Gold Mine (see Section 7).

There are a number of gold prospects in the project area, including the Palomino Prospect, and a large zone of base metal anomalism in the eastern part of the tenement. Recent resource calculations on Palomino by Mackay & Schnellmann (see Section 7 of this Prospectus) provide a JORC resource of:

| | |
|---|---|
| Indicated | 607,000 tonnes @ 2.7 g/t gold, for approximately 53,000 ounces |

Gold anomalism begins close to the surface at Palomino, the mineralisation remains open at depth and along strike, and high grade gold intercepts from widely spaced drilling occur below the existing resource. There are two operating ore treatment facilities within trucking distance of the project area, the Wiluna and Jundee gold mines.

The total project acquisition cost is a cash payment of $350,000 to purchase all of the shares in Eskay Resources Pty Ltd the owner of the project following ASX listing.

Through exploration and resource definition drilling, the Company aims to define a minable open cut reserve at Palomino and to discover additional gold resources within the project area. A two year budget of approximately $788,000 is proposed for the Horse Well project area.

The Company's focus will be to drill the strike and depth extensions of the known mineralisation, carry out detailed geophysical surveying, and undertake resource modelling and mining feasibility studies. Exploration will also be carried out on both advanced and new targets within the under explored greenstone belt geology in the project area.

### 88 Creek Project

This is an advanced exploration area located in the Northern Kimberley region of Western Australia, some 150 kilometres north-west of the town of Kununurra. The project area forms the centre of a prospective new gold province identified by joint venture partner North Australian Diamonds Limited (formerly Striker Resources NL) during regional diamond exploration. To date, North Australian Diamonds Limited has spent approximately $1,600,000 on the project area. The project sits in a 200 kilometre long, north-west trending line of gold anomalism in both soil and stream samples. Three well defined prospects occur along this regional trend at 88 Creek, Magnesite Creek and Epithermal Creek (see the Independent Geologists' Report in Section 7).

The geology is comprised of broadly folded and faulted Proterozoic sediments and basalt lava flows deposited within the North Kimberly Basin. Early indications suggest that gold mineralisation in this region is of an epithermal origin. Large and smaller scale gravity and magnetic anomalies and isolated hills in the area are interpreted to be caused by buried magmatic intrusions that are likely sources of the heat and fluids required to produce the gold mineralisation. The prospects sit in a similar intra-plate, crustal-scale geological setting to the Carlin Trend gold deposits in Nevada, USA; which is one of the world's largest gold producing provinces.

Extensive, high order geochemical gold anomalies and visible gold particles have been discovered in Proterozoic sediments and basalt flows that have characteristic epithermal alteration textures. Low grade gold was encountered at the 88 Creek Prospect during shallow drilling (mostly above 50 metres depth) by North Australian Diamonds Limited in 2002. This drilling confirmed a bedrock source for the geochemical gold anomalies, and it is possible that the intensity of alteration and gold grade will increase with depth.

Geochemical surveying, multispectral remote sensing, and some field mapping have identified other significant targets within the project area.

The Company has entered into a joint venture agreement with North Australian Diamonds Limited, whereby it can earn an initial 51% equity in the project tenure for all minerals and metals, except diamonds.

Exploration to date has been of a first pass nature and further exploration is required to test for large, higher grade mineral systems at depth. An extensive exploration database created by North Australian Diamonds Limited has been reviewed, and evaluation of these data have lead the Company to plan an induced polarisation geophysical survey and follow-up deep drilling to explore for the main source of the gold at 88 Creek. Other targets in the project area will also be followed up with geological field mapping, rock sampling and geochemical sampling. A two year budget of $700,000 is proposed for the 88 Creek project area.

### Doyle's Dam Project

This project is in a mature gold producing region located 45 kilometres to the west-north-west of Kalgoorlie. It covers the Doyle's Dam granodiorite, where previous exploration has identified geochemical gold anomalies coincident to fault structures within the granodiorite.

The Doyle's Dam anomalies occur in a similar structural and geological setting to the Golden Cities and Federal open cut gold mines in the Kalgoorlie region. These structures represent walk-up drill targets for testing the structurally controlled geochemical anomalies.

A two year budget of $89,000 is proposed for the Doyle's Dam project area. Upon grant of Prospecting Licences, the Company intends to drill test the well defined structural and gold anomalies.

## Proposed Exploration and Mining Feasibility Budget

The Company proposes to adopt the following budget to carry out the exploration program and the pre-development studies on its projects. The proposed expenditure will be refined to suit the results of the programs as they proceed. Given the inherent uncertainties associated with exploration, programs and budgets are subject to change and are dependent on the results of exploration activities. This proposed budget is based on a capital raising of $5,000,000 under this Prospectus. Funds raised through oversubscription will be applied to selected projects on an as needs basis, used for new project acquisition as opportunities arise and for additional working capital.

Table 2 – Proposed exploration and pre-development budget.

| Project | Expense Type | Year 1 | Year 2 | Total |
|---|---|---|---|---|
| *Comet* | Resource drilling, assays, and survey | $200,000 | $250,000 | $450,000 |
| | Exploration drilling, assays, and survey | $60,000 | $80,000 | $140,000 |
| | Geological and resource consultants | $100,000 | $100,000 | $200,000 |
| | Geophysical surveying | $35,000 | $15,000 | $50,000 |
| | Geophysical consultants | $15,000 | $10,000 | $25,000 |
| | Field costs | $60,000 | $60,000 | $120,000 |
| | Metallurgical testing | $0 | $20,000 | $20,000 |
| | Tenement costs, native title, management | $95,000 | $95,000 | $190,000 |
| | *sub-total:* | *$565,000* | *$630,000* | *$1,195,000* |
| *Horse Well* | Resource drilling, assays, and survey | $180,000 | $150,000 | $330,000 |
| | Exploration drilling, assays, and survey | $60,000 | $60,000 | $120,000 |
| | Geological and resource consultants | $80,000 | $80,000 | $160,000 |
| | Geophysical surveying | $25,000 | $20,000 | $45,000 |
| | Geophysical consultants | $10,000 | $7,000 | $17,000 |
| | Field costs | $30,000 | $30,000 | $60,000 |
| | Metallurgical testing | $0 | $16,000 | $16,000 |
| | Tenement costs, native title, management | $20,000 | $20,000 | $40,000 |
| | *sub-total:* | *$405,000* | *$383,000* | *$788,000* |
| *88 Creek* | Exploration drilling, assays, and survey | $0 | $356,000 | $356,000 |
| | Geophysical surveying | $90,000 | $20,000 | $110,000 |
| | Geological and geophysical consultants | $30,000 | $60,000 | $90,000 |
| | Field costs | $30,000 | $60,000 | $90,000 |
| | Tenement costs, native title, management | $22,000 | $32,000 | $54,000 |
| | *sub-total:* | *$172,000* | *$528,000* | *$700,000* |
| *Doyle's Dam* | Exploration drilling, assays, and survey | $0 | $50,000 | $50,000 |
| | Geological and resource consultants | $4,000 | $14,000 | $18,000 |
| | Field costs | $0 | $11,000 | $11,000 |
| | Tenement costs, native title, management | $2,000 | $8,000 | $10,000 |
| | *sub-total:* | *$6,000* | *$83,000* | *$89,000* |
| | *total:* | *$1,148,000* | *$1,624,000* | *$2,772,000* |

# 5 Board of Directors and Management Team

## Board of Directors

*Peter Harold* – Non-Executive Chairman, age 42

Peter Harold holds a Bachelor of Applied Science (Chemistry) from the University of Melbourne and is currently the Managing Director of Sally Malay Mining Limited, the ASX listed Western Australian nickel producer. He is also a non-executive director of Uranium Resources PLC (AIM listed). Peter is a process engineer with over 18 years corporate experience in the minerals industry. Peter started his career with Shell Australia in the commercial division before moving to Perth to work for Australian Consolidated Minerals Ltd in metals marketing. Since then he has worked for a number of gold and base metal miners in various senior management roles specialising in operations, marketing, treasury and finance, business and project development and corporate management. He has developed a strong network in the mining industry and has excellent contacts within the resource banking and stockbroking fraternity in Australia, Asia, Europe and North America.



*Dr. Jayson Meyers* – Managing Director and General Manager Exploration, age 41

Jayson holds a PhD in Geophysics, MSc Geochemistry, BSc in Geology, is a member of the AIG and ASEG, is a Director and Principal Consultant with Resource Potentials Pty Ltd, a geological and geophysical consulting group, and is part time at Curtin University as an Associate Professor in the Department of Exploration Geophysics. He has over 15 years of resource industry experience with various exploration and mining companies, including Great Central Mines.

*Peter Hepburn-Brown* – Executive Director and General Manager Operations, age 48

Peter holds a BSc in Mining Engineering, Grad Dip in Human Resources, is a member of the Institute of Engineers Aust and is a Non-executive Director of Iberian Resources Limited and Gleneagle Gold Limited. Peter is a mining engineer holding First Class Mining Tickets for Western Australia, Victoria and Queensland. He works as a consultant mining engineer and operations advisor, and formerly held positions with Siberia Mining Corporation, as Director Operations for Harmony Gold (Australia), General Manager for Great Central Mines, and worked on mining operations for Niugini Mining and Western Mining Corporation. Peter has over 25 years of mining industry experience.

*Kevin Hart* – Non-executive Director and Company Secretary, age 43

Kevin holds a Bachelor of Commerce Degree and is a Chartered Accountant. He is a Partner at Endeavour Corporate Pty Ltd, an advisory firm that specialises in the provision of Company Secretarial services to ASX listed entities. Kevin has over 22 years of professional experience with various public companies, mostly in the exploration and mining industry.

## Management Team

*Bernard McAuliffe* – General Manager, age 44

Bernard has over 25 years exploration and mining industry experience across a range of commodities, having held technical and senior property management positions with BHP Minerals Limited, Ashton Mining Limited and Anaconda Nickel Limited. More recently he has been consulting in the areas of project generation and project management. He has extensive experience in tenement and native title management.

*Mathew Cooper* – Geophysical and Geological Consultant, age 33

Mathew holds a BSc Hons in Geophysics and is a Director and General Manager for Resource Potentials Pty Ltd. He has over 11 years of exploration and mining industry experience

# 6 Risk Factors

Investors should be aware that an investment in the Company involves risks that may be higher than risks associated with an investment in some other companies. Careful consideration should be given to all matters raised in this Prospectus and the relative risk factors prior to applying for Offer Securities. Some of these risks can be mitigated by the use of appropriate safeguards and actions, but some are outside the control of the Company and cannot be mitigated. Prospective investors in the Company should consider the risk factors described in this Section, together with the information contained elsewhere in this Prospectus, before deciding whether to apply for Offer Securities.

## General Risks

Factors such as inflation, interest rates, levels of tax, taxation law and accounting practices, government legislation or intervention, natural disasters, social upheaval, and war may have an impact on prices, operating costs and market conditions generally. Accordingly, the Company's future possible revenue and operations can be affected by these factors, which are beyond the control of the Company. General movements in local and international stock markets and economic conditions could all affect the market price of the Company's Offer Securities.



## Exploration Success

The mineral tenements of the Company as described in this Prospectus are at various stages of exploration and potential investors should understand that mineral exploration and development are high risk undertakings. There can be no assurance that exploration of the project areas described in this Prospectus, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

## Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; unanticipated metallurgical problems which may affect extraction costs; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Having been incorporated in 2004, the Company has only a short operating history, although it should be noted that the Company's Directors have between them significant operational experience. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

## Resource Estimates

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may, in turn, adversely affect the Company's operations.

## Economic Factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's future possible revenues and Share and Option prices can be affected by these factors which are beyond the control of the Company and the Directors.

## Government Policy Changes

Government policies are subject to review and changes from time to time. Such changes are likely to be beyond the control of the Company and may affect industry profitability as well as the Company's capacity to explore and mine. At present, the Company is not aware of any reviews or changes that would affect its tenements. However, changes in community attitudes on matters such as taxation, competition policy, environmental and indigenous land rights issues may bring about reviews and possibly changes in government policies. There is a risk that such changes may affect the Company's exploration plans or its rights and obligations in respect of its tenements. Any such government action may also require increased capital or operating expenditures and could prevent or delay certain operations by the Company.

## Commodity Price Volatility and Exchange Rate Risks

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors. Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian Dollar as determined in international markets.

## Environmental Risks

The operations and proposed activities of the Company are subject to State and Federal laws and regulation concerning the environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws.

## Title Risks and Native Title Risks

Interests in tenements in Australia are governed by the respective State legislation and are evidenced by the granting of licenses or leases. Each license or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in tenements if license conditions are not met or if insufficient funds are available to meet expenditure commitments.

It is also possible that, in relation to tenements which the Company has an interest in or will in the future acquire such an interest, there may be areas over which legitimate native title rights of Aboriginal Australians exist. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner), or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

The Directors will closely monitor the potential effect of native title claims involving tenements in which the Company has or may have an interest. Reference should be made to the relevant section of the Solicitors' Report set out in Section 8 of this Prospectus for information on the issue of title and a description of the native title regime in Western Australia.

## Legal Risks

The introduction of new legislation or amendments to existing legislation, developments in existing common law, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial performance of the Company and its Shares and Options. In addition, there is a commercial risk that legal action may be taken against the Company in relation to commercial matters.

## Stock Market Conditions

Share market conditions may affect the listed Shares and Options regardless of the operating performance. Share market conditions are affected by many factors such as the general economic outlook, movements in, or outlook on, interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for, and supply of, capital.

Investors should recognise that once the Securities are subject to Official Quotation, the price of the Securities may fall as well as rise. Many factors will affect the price of the Securities including local and international stock markets, movements in interest rates, economic conditions and investor sentiment generally. In addition, world events affect the price of Securities in various sectors. Such events are unpredictable and their impact on individual companies or markets is beyond the control of the Company.

## Unforeseen Expenditure Risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

## Additional Financing Requirements

The Directors expect that the proceeds of the public capital raising will provide sufficient capital resources to enable the Company to achieve its initial business objectives. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or further capital raisings and if such borrowings or capital raisings are required, that they can be obtained on terms favourable to the Company.

## Uninsured Loss and Liability

Exploration for and development of mineral deposits involves hazards and risks that could result in the Company incurring losses and liabilities to third parties. There is a risk that the Company may not be insured against all losses or liabilities that could arise from its operations. If the Company incurs losses or liabilities which are not covered by its insurance policies, the funds available for exploration and development will be reduced and the value and/or tenure of the Company's assets may be at risk.

Comet Open Cut Mine looking to the south-east.

MACKAY & SCHNELLMANN PTY LIMITED

# 7 INDEPENDENT GEOLOGISTS' REPORT

## ON THE

## MINERAL PROPERTY INTERESTS

## OF

## ALLOY RESOURCES LIMITED

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## Tables



## Figures

## Summary

This Independent Geologist's Report has been prepared by Mackay & Schnellmann Pty Limited for inclusion in a Prospectus to be issued by Alloy Resources Limited ("ARL"). The Report covers gold exploration projects Comet-Webb's Patch, Horse Well, 88 Creek and Doyle's Dam all situated in Western Australia.

### Comet-Webb's Patch Project

The Comet-Webb's Patch Project area covers around 158 square kilometres and lies approximately 20 kilometres southeast of Cue and 60 kilometres north-northeast of Mount Magnet in the Murchison Mineral Field. The project covers part of a northeast trending greenstone belt located at the southern end of the Tuckabianna Shear Zone which has been traced regionally over some 30 kilometres and is one to two kilometres wide.

Gold mining activities within the project area before the 1980s was largely limited to intermittent underground mining. In the late 1980s, open pit mining was undertaken at the Comet and Pinnacles deposits with production being 638 335 tonnes at 3.45 g/t gold. In the 1990s, further production from the Pinnacles, Eclipse, Venus and Comet North deposits amounted to 545 147 tonnes at 2.24 g/t gold. Most of this production came from lodes composed of chlorite-quartz-actinolite banded mafic units with around 10% iron sulphides on the Comet-Eclipse mineralised trend. This trend is known to extend over 2 kilometres of strike length although the structure extends over some 4.5 kilometres. The nearby sub-parallel Venus-Pinnacles mineralised trend, hosts a number of lodes developed in banded iron formation at the Pinnacles deposit and an iron-rich sediment within a dominantly mafic sequence at the Venus deposit.

The gold prospectivity of the Comet-Webb's Patch Project area is considered to be high with exploration potential being present in the quantified resources that are known to be present as well as in extensions to the resources at depth and along strike.

At the Comet deposit applying a lower cut-off of 3 g/t gold and an upper cut of 25 g/t gold, a JORC CODE compliant resource has been estimated as follows:

| | |
|---|---|
| Indicated Mineral Resource | 490 000 tonnes at 5.8 g/t gold |
| Inferred Mineral Resource | 350 000 tonnes at 6.5 g/t gold |
| Total Mineral Resource | 840 000 tonnes at 6.1 g/t gold |

Exploration potential at the Comet deposit is present at depth below the quantified resource and along strike following the same shear structure that hosts the Comet, Comet North and Ecilpse deposits.

At the Comet North and Eclipse deposits, remnant tonnages have been reported although no JORC Code compliant resource appears to have been estimated. These deposits constitute exploration targets that warrant both the estimation of resources utilising the existing database and the results from further exploration drilling.

Outside of these three deposits on the Comet-Eclipse trend, exploration potential also exists over the south-southwestern extension of the mineralised trend where two blind conductivity targets identified from a TEMPEST airborne EM survey represent untested drilling targets at depths below surface of the order of 125 metres.

The nearby Venus-Pinnacles mineralised trend, hosts a number of lodes developed in banded iron formation at the Pinnacles deposit and iron-rich sediments within a dominantly mafic sequence at the Venus locality. These deposits occur along the crest of the Comet anticline and there are significant portions of this trend which are not adequately tested by drilling.

At the Pinnacles deposit, located 200 metres northwest of the Comet deposit, an Exploration Target has been estimated based upon a computerized assessment of over 19000 metres of drilling. The Exploration Target range for the Pinnacles deposit comprises a lower range estimate for fresh rock material and an upper range estimate based up on both oxide and fresh rock domains as follows:

| | |
|---|---|
| Lower Range Pinnacles Exploration Target | 150 000 tonnes at 3.1 g/t gold |
| Upper Range Pinnacles Exploration Target | 400 000 tonnes at 2.1 g/t gold |

Future evaluation of the existing drilling database at Pinnacles is recommended to appraise the controls on mineralisation and conduct further drilling as a basis for an estimation of potential resources. In addition, portions of the Venus-Pinnacles mineralised trend presently untested by drilling should be targeted in future investigations.

In the eastern sector of the project area, the Webb's Patch deposit has been assessed on the basis of a computerized assessment of over 2500 metres of drilling as representing an Exploration Target. The Exploration Target range for the Webb's Patch deposit comprises a lower range estimate for fresh rock material and an upper range estimate based up on both oxide and fresh rock domains as follows:

| | |
|---|---|
| Lower Range Webb's Patch Exploration Target | 3 500 tonnes at 4.2 g/t gold |
| Upper Range Webb's Patch Exploration Target | 44 000 tonnes at 4.7 g/t gold |

The mineralisation present at Webb's Patch is reported to be open at depth and along strike to the south. Of further interest in the eastern portion of the project area is drilling evidence of a southerly continuation of the mineralised trend associated with the off-property abandoned Friar open cut and conceptual structural targets associated with poorly exposed north-northeasterly trending shears within Exploration Licence 20/531.

From a broader perspective, much of the exploration work in the Comet-Webb's Patch Project area has concentrated on the shallower parts of the known structures at the Comet, Pinnacles and Webb's Patch deposits, with little work having been completed in other areas. There is, therefore, justification for a more regionally based investigation of the portions of the project area that have not been explored that includes areas covered by surficial deposits, including transported overburden. In this context, the geochemical and geophysical anomalies, including discrete conductive targets identified by an airborne electromagnetic TEMPEST survey, generated by earlier work and that have not yet been followed up well warrant investigation.

ARL proposes to give priority to resource definition activities which will also include metallurgical testwork with the overall aim of increasing the mineral resources for assessment by preliminary financial scoping studies. In parallel, ARL intends sequentially to advance prospects within the project area by refining target areas using modern geophysical methods, including sub-audio magnetic techniques, and where warranted carry out further evaluation phases aimed at delineating potential additional gold resources.

ARL has allocated $565 000 for the first year and $630 000 for the second year of exploration over the Comet-Webb's Patch Project. The total budget is therefore $1 195 000 over two years.

### Horse Well Project

The Horse Well Project is centred some 50 kilometres north-northeast of the Jundee Gold Mine and covers a portion of the northern Yandal Greenstone Belt in the Warburton Mineral Field. The project area covers approximately 216 square kilometres.

Modern gold exploration began at the Horse Well Project area in the early 1990s. Prior to this time, gold exploration of the terrain within the project area had been of a cursory nature and limited to brief reconnaissance surveys.

Following the discovery in the mid 1990s of major gold deposits in the Yandal Greenstone Belt to the south of the present tenement, Horse Well has been continuously held for the majority of the period as part of a larger tenement holding which has changed ownership on several occasions during the period. Progress in advancing the area covered by the present Horse Well Project has been gained by successive RAB and RC drilling programmes which have demonstrated the area's prospectivity by outlining a moderately sized gold deposit at Palomino. In addition, several other less well defined gold prospects were identified mainly associated with silicified auriferous shear zones in structurally controlled environments. There is also evidence of gold anomalism related to internal granitoid intrusion contact zones and gold-silver-lead mineralisation associated with an exhalative horizon in eastern parts of the project area.

A recent JORC CODE compliant resource estimate has been prepared for the mineralisation present at the Palomino deposit applying a 1 g/t gold cut-off and an upper cut of 10.7 g/t gold as follows:

| | |
|---|---|
| Indicated Oxide Mineral Resource | 153 000 tonnes at 2.7 g/t gold |
| Indicated Transitional Mineral Resource | 147 000 tonnes at 2.9 g/t gold |
| Indicated Fresh Mineral Resource | 307 000 tonnes at 2.7 g/t gold |
| Total Indicated Mineral Resource | 607 000 tonnes at 2.7 g/t gold |

The drillhole spacing is not yet adequate for the resource estimate prepared to date to be regarded as definitive. There is a need to improve drillhole density in the upper levels of the mineralisation to provide a more assured category for these resources. Further exploration at Palomino is also warranted to investigate the mineralisation present both along strike and at depth, particularly related to plunging shoots within the *en echelon* shear system.

Future exploration beyond the Palomino deposit is wholly justified over several known prospects which so far have not been evaluated comprehensively, particularly from the viewpoint of the structural orientation of the mineralisation present. Furthermore, examination of the existing drilling and geochemical database should also be conducted in order to identify new areas for exploration within the project area which have so far received little attention or where previous work was shown to be ineffective owing to transported overburden and deep weathering. In this regard, it is recommended that the existing aeromagnetic data should be reinterpreted and augmented where necessary in order to define untested concealed structural targets.

The proposed exploration programme by ARL is to concentrate on drilling out the near surface gold resources at Palomino and nearby advanced prospects as a precursor to scoping studies.

This programme will include a comprehensive review of the existing database followed by drilling which will include RC as well as core drilling for metallurgical testwork and geotechnical purposes.

Drilling is planned to test for additional mineralisation associated with exploration targets identified within the project area with the aim of increasing potential gold resources. ARL plan to re-process airborne magnetic data and conduct ground geophysical surveys using gravity and electrical methods, including sub-audio magnetic techniques, better to define sub-surface shear zones.

The estimated cost of these exploration activities for the first year is $405 000 and in the second year $383 000 giving a total of $788 000 over two years.

## 88 Creek Project

In 2001, evidence of gold mineralisation was discovered for the first time within the remote project area which covers some 320 square kilometres of highly faulted Proterozoic Kimberley Basin sediments and basaltic volcanics. Follow up geochemical, multi-spectral imagery and aeromagnetic surveys aided in the definition of three areas of immediate interest including the 88 Creek, Magnesite Creek and Epithermal Creek Prospects. The most promising of these proved to be the 88 Creek Prospect where most of the subsequent initial drilling was carried out which proved highly anomalous gold geochemical values and low level sub-horizontal gold mineralisation mainly within sandstone horizons. Subsequent due diligence geochemical sampling in 2003 largely validated earlier work but because of the limited scope of this investigation it failed materially to advance knowledge on the extent, style and timing of the gold mineralisation.

A proposed model for gold occurrence at 88 Creek Prospect envisages a heat cell generated by a buried intrusive source focussing gold bearing fluids along near vertical conduits where northerly, northwesterly and northeasterly trending structures intersect. At surface, the core of this hydrothermal activity appears to be reflected by a manto of pyrophyllite alteration that is invariably barren of gold because the heat flows are too high for gold to precipitate. Beyond this core region, gold precipitates out within certain horizons where lower temperatures prevailed associated with silica-sulphide alteration beyond the zone of pyrophyllite alteration and where other clay alteration and iron oxide alteration occur. Late stage movement along regional faulting in the area has displaced the clay alteration zones and at some localities appears to be linked to mineralisation suggesting a complex development history.

This preliminary model helps to explain the sub-horizontal control on gold mineralisation and related silica-sulphide and iron oxide alteration zones evident from drilling at 88 Creek.

It is recommended that future exploration is focussed upon developing drilling targets using electrical geophysical techniques, detailed geological mapping and related studies at the 88 Creek Prospect. Geophysical surveying, including modern resistivity and Induced Polarisation surveys using 3D methods, should aim to delineate structurally controlled targets which have the capacity to contain elevated levels of mineralisation and test the area for the occurrence of concealed intrusive bodies. Success in delineating such features will transform the present enigmatic status of the known gold mineralisation to a more robust exploration model for detailed investigation which may also be applied to explore other less intensively investigated gold prospects within the project area.

Exploration proposals by ARL for the 88 Creek Project include the definition of drill targets using modern geophysical techniques and mapping in the vicinity of the most advanced 88 Creek Prospect. Following this initial exploration phase, ARL propose to drill test the defined geophysical and structural targets.

The estimated cost of these exploration activities for the first year is $172 000 and in the second year $528 000 giving a total of $700 000 over two years.

## Doyle's Dam Project

The Doyle's Dam Project is situated some 50 kilometres west-northwest of Kalgoorlie and covers an area of approximately 19 square kilometres in the Coolgardie Mineral Field.

The Doyle's Dam project area has until recent times attracted little attention. Earlier gold exploration was mainly focussed on adjacent greenstone sequences and therefore coverage of the Dunnsville and Doyle Dam Granodiorites which underlie the project area was limited to small areas where activity was of restricted scope.

In recent years, the importance of granitoid intrusions within the greenstone sequences has been recognized as playing a significant role in producing mineralised accommodation shears. Similar structural features following north-northwesterly and more dominantly north-northeasterly trends have been identified within the project area over the Dunnsville and Doyle Granodiorites and these constitute conceptual gold exploration target zones. The impetus for more detailed exploration of these zones is encouraged by the recent discovery of gold mineralisation in an analogous regional setting within a granodiorite complex in the Kalgoorlie region.

Relatively recent gold exploration over the project area targeted the granodiorite intrusions with a first pass auger drilling programme which identified several geochemically anomalous zones with peak values of 48 ppb and 55 ppb gold on adjacent drill traverse lines spaced 1000 metres apart. These elevated values are interpreted to lie close to intersecting structural lineaments evident from aeromagnetic data. Additional exploration work is therefore recommended to investigate further the outlined anomalies.

ARL propose to advance the Doyle's Dam Project by drill testing the defined structural targets for their gold potential. A budget allocation has been made for this purpose of $89 000 over two years.

### General

All the projects reviewed are considered to be prospective for gold with various degrees of prospectivity. The main thrust of future exploration activities is to build on resources in the Comet-Webb's Patch Project area by further evaluation work to enhance the defined resource base and follow up on other targets with similar aims. A similar approach will be followed at the Horse Well Project. In parallel with these activities, gold exploration will be pursued over the 88 Creek and Dolye's Dam project areas. The results of these investigations will have a significant impact on prospectivity of the targets and prospects identified in this Independent Geologist's Report.

Exploration budgets prepared at this time by ARL for all the project areas may change over time as exploration results come to hand: consequently the present budget allocations reflect current intentions.

## Introduction

By way of a letter dated 3 March 2005, Mackay & Schnellmann Pty Limited was engaged by Alloy Resources Limited ("ARL") to prepare an Independent Geologist's Report on the Company's mineral exploration project areas. The purpose of the Report is for inclusion in a Prospectus to be issued by ARL to raise up to $5,000,000 with provision for oversubscription.

For the purpose of the Corporations Law, Mackay & Schnellmann Pty Limited and John Garlick were involved in the preparation of this Independent Geologist's Report for inclusion in ARL's Prospectus and have not been involved in the preparation, authorisation or issuance of any other part of the Prospectus.

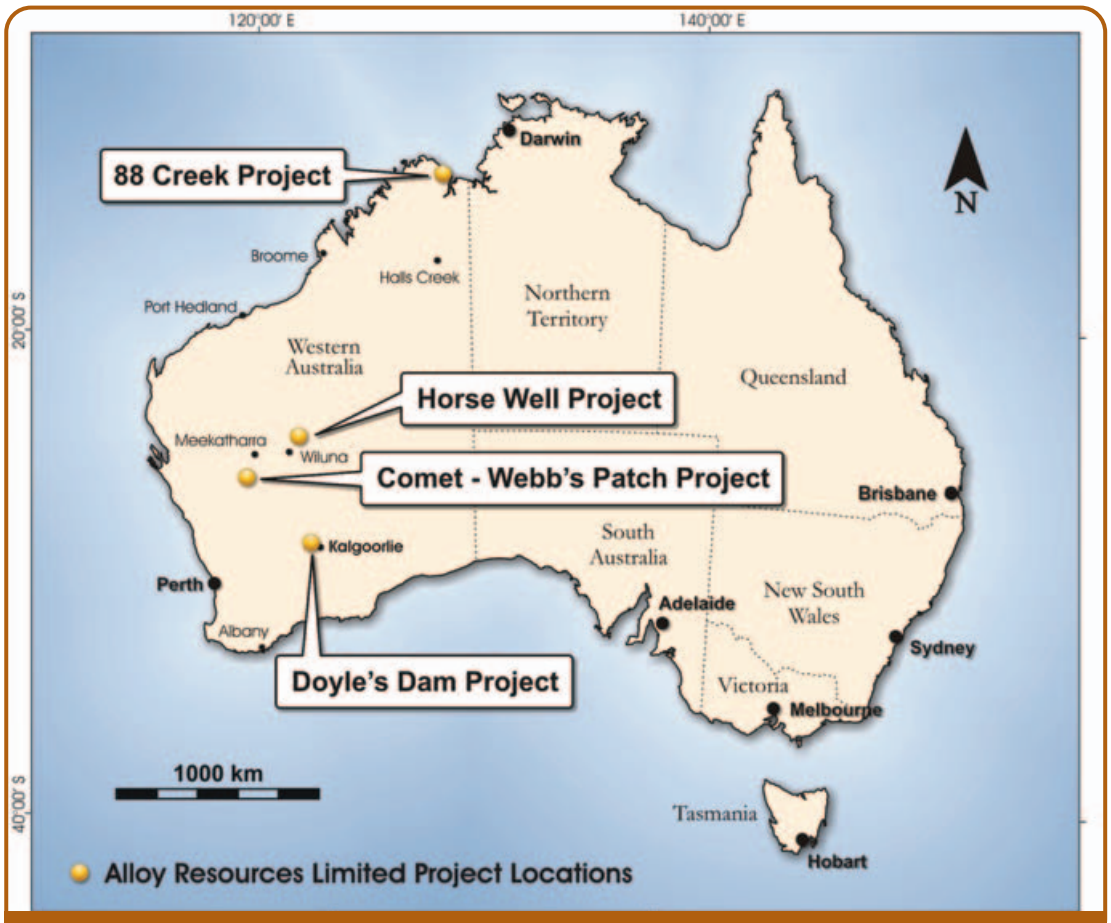


**FIGURE 1. Location Map of Alloy Resources Limited Western Australian Gold Projects**

This Independent Geologist's Report has been prepared in accordance with the Valmin Code that is binding upon members of the Australasian Institute of Mining and Metallurgy and applies to reports prepared after 1 April 1998. It has been prepared in accordance with rules and guidelines of the Australian Securities and Investments Commission and the Australian Stock Exchange and in accordance with the JORC Code 2004 edition.

Mackay & Schnellmann Pty Limited is a minerals industry consulting firm located at 4 Lawrence Avenue, West Perth, Western Australia. The company was incorporated in 1969 and has operated as a geological consultancy since then. It has been responsible for the preparation of a considerable number of geological reports and valuations for various purposes.

John Garlick, M.Sc., Managing Director of Mackay & Schnellmann Pty Limited, assumes overall responsibility for this Independent Geologist's Report. He has more than 10 years relevant experience and is a Fellow of the Australasian Institute of Mining and Metallurgy.

Martin Reynolds, B.Sc., Director of Mackay & Schnellmann Pty Limited, has been responsible for parts of the Comet-Webb's Patch and Horse Well report sections. Martin has more than 10 years of relevant experience: he is a Fellow of the Australasian Institute of Mining and Metallurgy.

Neither the authors nor Mackay & Schnellmann Pty Limited has or has had any material interest in any of the minerals assets under review. No previous commercial relationship has existed between ARL and Mackay & Schnellmann Pty Limited.

Mackay & Schnellmann Pty Limited has had no input into the formulation of any of the mineral properties under review. This Independent Geologist's Report has been prepared strictly as an independent report. Fees for the preparation of this Report are being charged at $850 per day whilst expenses are being reimbursed at cost. Payment of fees is in no way contingent upon the conclusions of this Independent Geologist's Report nor on the outcome of the proposed Prospectus issue.

The contents of this Independent Geologist's Report are based on reports and data held by ARL, research undertaken at the Department of Industry and Resources, Perth, Western Australia and site visits. Research of publicly available material on all the properties was undertaken by Mackay & Schnellmann Pty Limited as part of the due diligence process. Documents and reports reviewed are cited in the Bibliography, which constitutes part of the Independent Geologist's Report. Copies of published material and other publicly available documents on the properties are held at the Department of Industry and Resources, Perth, Western Australia. Unpublished material not publicly available is held at the offices of ARL.

A site visit was made to the Comet-Webb's Patch Project area on 9 and 10 March 2005. Site visits were made to Horse Well and Doyle's Dam project areas on 3 April and 5 April 2005 respectively. A site visit was made to the 88 Creek Project area in February 2003 as part of an earlier assignment for another company during which drill sites were inspected along with observation of the alteration and style of mineralisation present.

ARL has warranted in writing that full disclosure of all material information in its possession has been made and that to the best of its knowledge and understanding, such information is complete, accurate and true. ARL has stated that all the information provided may be presented in this Independent Geologist's Report and that none of it is regarded as confidential. ARL has reviewed a draft of the Independent Geologist's Report for correction of matters of fact and notification of material omissions.

Such information as is available has been utilised to allow an informed appraisal of the mineral assets. All material used in preparation of this Independent Geologist's Report is judged to be reliable. However, in instances where work undertaken is poorly documented, such circumstances are noted in the body of the Independent Geologist's Report.

ARL has a satisfactory and clearly defined exploration and expenditure programme which is reasonable having regard to its stated objectives. Sufficient exploration has taken place in the past two years to justify the budgeted exploration and expenditure programme.

Mackay & Schnellmann Pty Limited has not investigated the legal aspects of the tenements and agreements. Present and future implications arising from terms and conditions relating to tenements and agreements have not been investigated. These matters are considered elsewhere in the Prospectus, in a report by Wright Legal, lawyers.

For the purpose of this Report, it is assumed that all tenements and agreements are and will remain in good standing in the immediate future and that tenements are or will be wholly or partially beneficially owned by ARL.

Investigations relating to present or future native title claims have not been undertaken. Potential consequences of exploration and mining on rare and endangered flora and fauna have not been assessed. These matters are outside our expertise and opinion on possible consequences should be sought elsewhere.

Mackay & Schnellmann Pty Limited has given consent in writing to the inclusion of this Independent Geologist's Report in the Prospectus to be issued by ARL in the form and context in which it appears and has not withdrawn consent prior to its issue.

In the following report subsections, where previous exploration is concerned, full details on the techniques employed are not necessarily given if they are standard for the minerals industry.

Where measurements are given in source documents in imperial units these have been converted to the metric system. In some instances this may result in apparent minor discrepancies in figures due to rounding. Some resource estimates are given in source documents to greater degrees of precision than are warranted under the JORC Code. Where these have been appropriately rounded off, this can also result in apparent minor discrepancies.

## Comet-Webb's Patch Project

### Location and Access

The Comet-Webb's Patch Project area is situated some 20 kilometres southeast of Cue and 60 kilometres north-northeast of Mount Magnet in the Cue and Day Dawn districts of the Murchison Mineral Field.

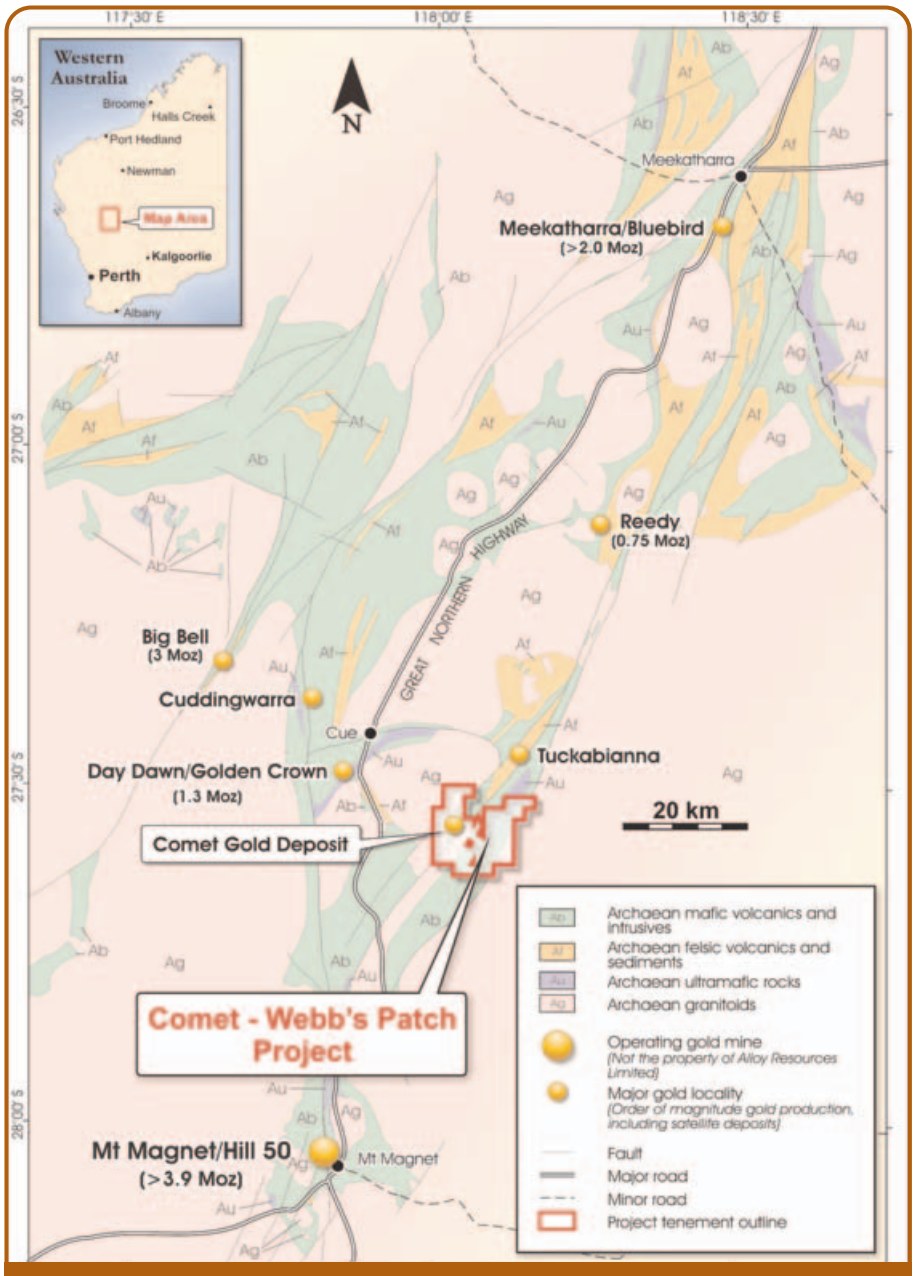


**FIGURE 2. Comet-Webb's Patch Project – Regional Geological Setting**

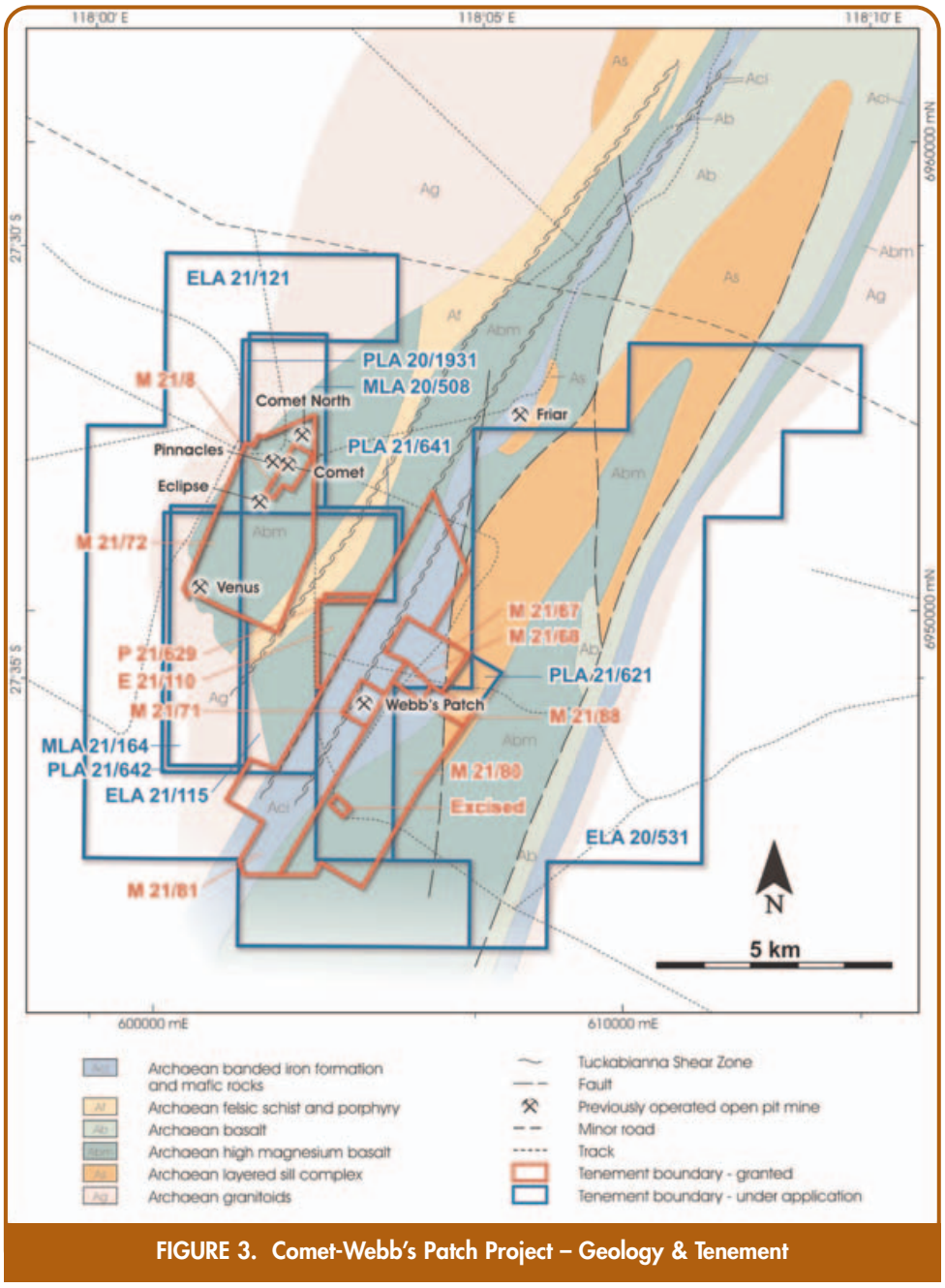


**FIGURE 3. Comet-Webb's Patch Project – Geology & Tenement**

Access to the project area is by way of the gravel Wondinong Road that runs east-southeasterly from the Great Northern Highway at Cue. At a distance of 17 kilometres from Cue, there is the turn off to the south which leads over a distance of some 6 kilometres to the area. Thereafter, exploration tracks may then be followed in a southeasterly direction for a further 6 kilometres to the Webb's Patch area.

The project area may also be reached via a gravel road previously used for hauling ore. This gravel road joins the Great Northern Highway some 5 kilometres north of Lake Austin at Mainland and runs in an east-northeasterly direction for some 13 kilometres to the Comet-Webb's Patch area. By this route, the road distance from Mount Magnet to the Comet and nearby Pinnacles gold deposits is around 70 kilometres.

Most parts of the project area are accessible by four wheel drive vehicle following numerous exploration and grid line tracks. Access to all previously mined and rehabilitated areas is particularly good.

Topographically, the project area is dominanted by northeasterly trending ridges of moderate relief which reflect underlying structured greenstone sequences. Beyond these elevated areas relief is subdued over sheetwash plains composed of unconsolidated colluvium and low windblown sandbanks. Regolith and landform elements are believed

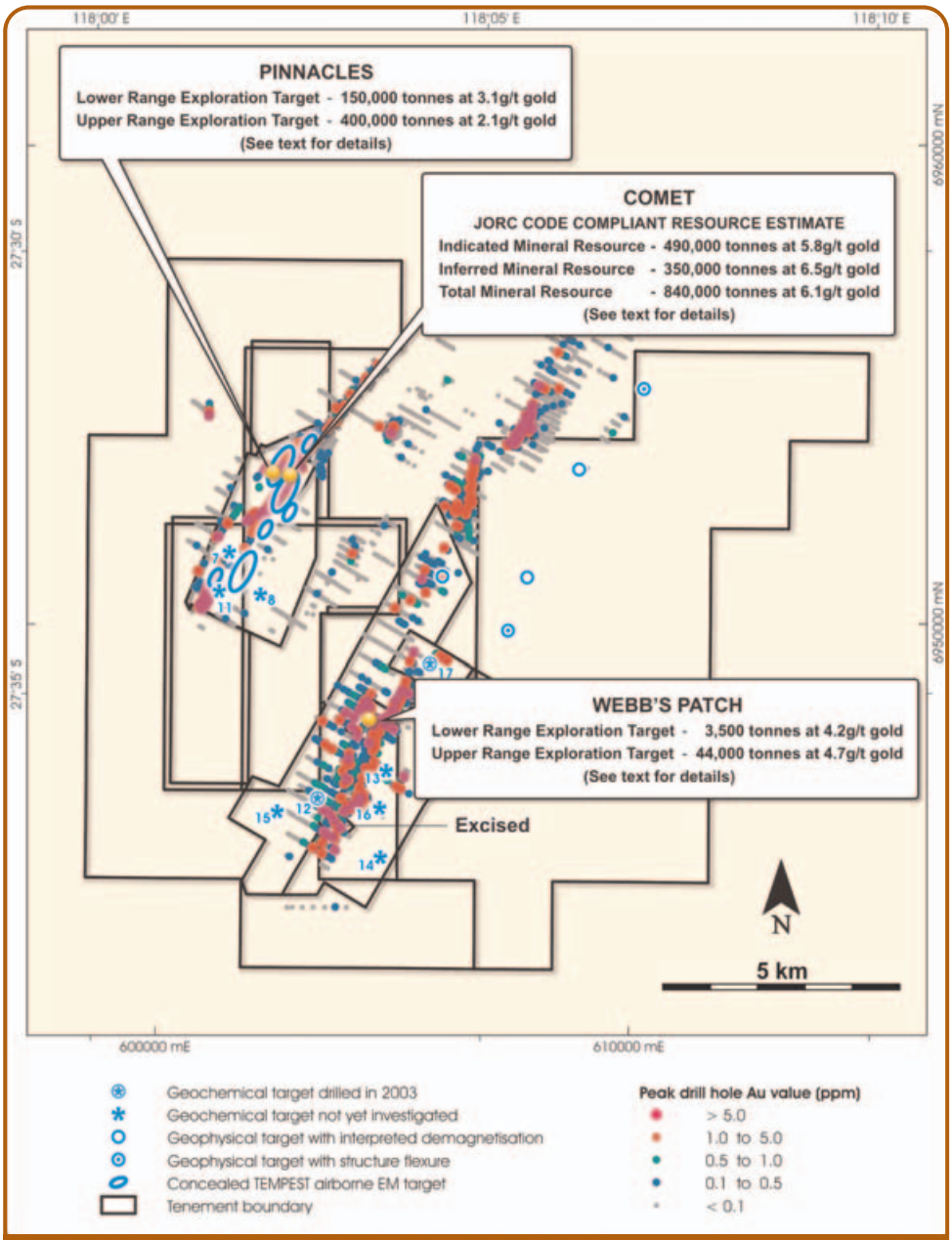


**FIGURE 4. Comet-Webb's Patch Project – Resources, Exploration Data & Targets**

to be the result of both relict and present day processes and some areas of known mineralisation are concealed by lateritised transported overburden.

The climate is arid to semi-arid, with an average annual rainfall of 200 mm. The majority of the project area supports low sparse scrub on rocky ridges and beyond areas of low mulga and eucalyptus woodlands.

All exploration requirements need to be brought in to the project area as no infrastructure exists within the tenemented area.

### Tenements

The Comet-Webb's Patch Project area comprises nineteen tenements with an aggregate area of around 158 square kilometres. The tenements form a contiguous area comprising: Mining Leases 21/8, 67, 68, 71, 72, 80, 81, 88 , Mining Lease Applications 20/508 and 21/164; Exploration Licence 21/110, Exploration Licence Applications 21/115, 121 and 20/531; Prospecting Licence 21/629 and Prospecting Licence Applications 21/621, 641, 642 and 20/1931.

## Geology

### Regional and Local Geology

The Project area covers part of a northeast trending greenstone belt located at the southern end of the Tuckabianna Shear Zone. To the east of the shear zone is a sequence of mafic and ultramafic volcanic and intrusive rocks with banded iron formation that has been folded in to a syncline. To the west of the Tuckabianna Shear Zone there is a felsic, mafic and ultramafic sequence forming an antiform. Granitoid rocks have intruded the greenstone sequence.

The bedrock sequence has undergone deep weathering and much of it is covered by geologically recent superficial materials.

### Structure

The Tuckabianna Shear Zone trends north-northeast over some 30 kilometres and is one to two kilometres wide. The zone has been interpreted as part of the 180 kilometre long Mt Magnet-Meekatharra Shear Zone. A later interpretation is that the Mt Magnet-Meekatharra Shear Zone is in fact a series of splay faults off the regional Moyagee Shear that is located to the west. Within the project area, gold mineralisation is associated with a series of north-northeasterly trending structures parallel with the dominant regional structural trend. These mineralised structures include the Comet-Eclipse and Venus-Pinnacles trends which are associated with faulting parallel to bedding in close proximity to iron-rich sediments, including sheared banded iron formation, and mafic volcanics. Several other significant shear trends have been mapped throughout the project area which parallel the dominant north-northeasterly regional trend.

### Mineralisation

In the region, gold is hosted by banded iron formation and other iron rich rocks and by mafic rocks, porphyry and granite. Historically, gold has also been produced from laterite and alluvial deposits.

At the Comet deposit, gold mineralisation occurs in two units known as the Upper Lode and the Lower Lode. Separating the two lodes is an unmineralised basalt unit while overlying the Upper Lode is another basalt and the Talc Chlorite unit. Both of the lodes contain magnetite and have been termed mineralised banded iron formations.

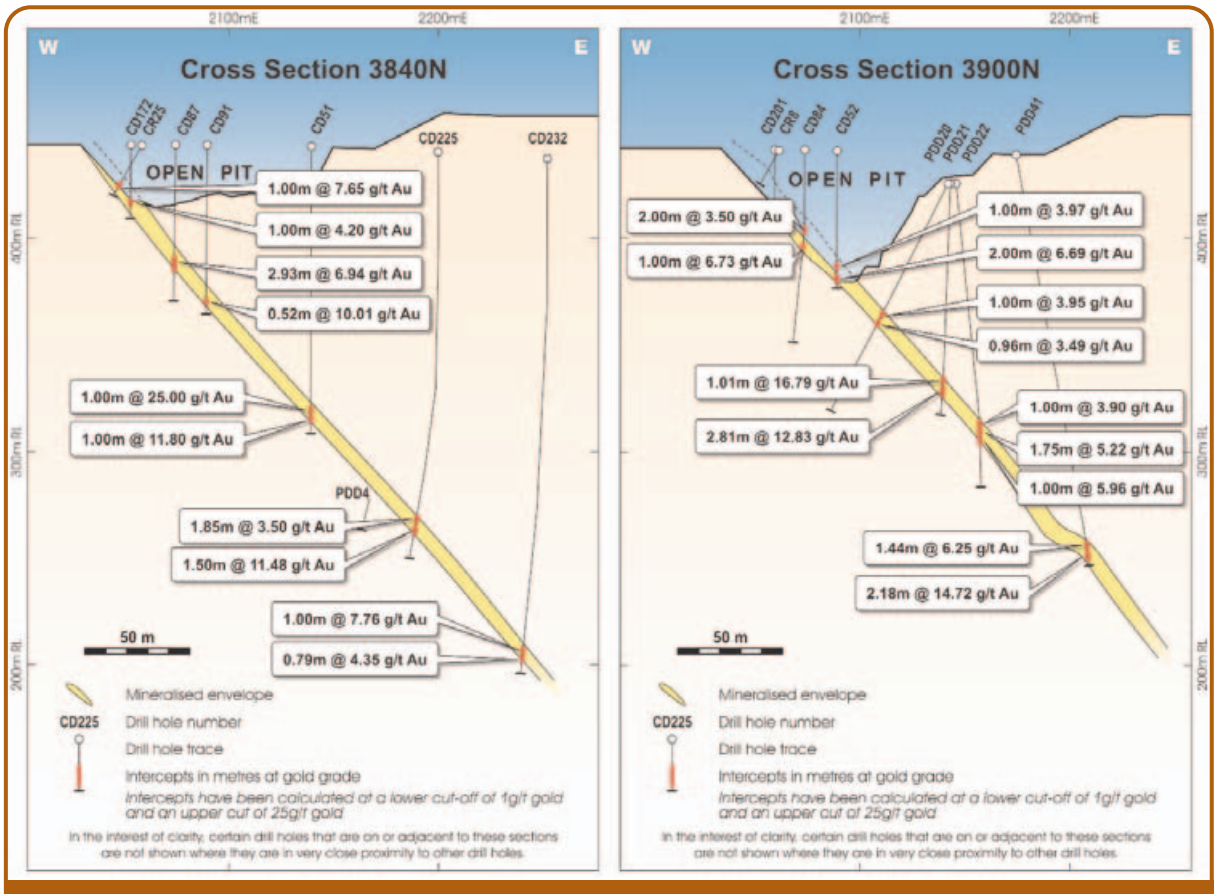


**FIGURE 5. Comet-Webb's Patch Project – Comet Gold Deposit – Cross Sections 3840mN & 3900mN**

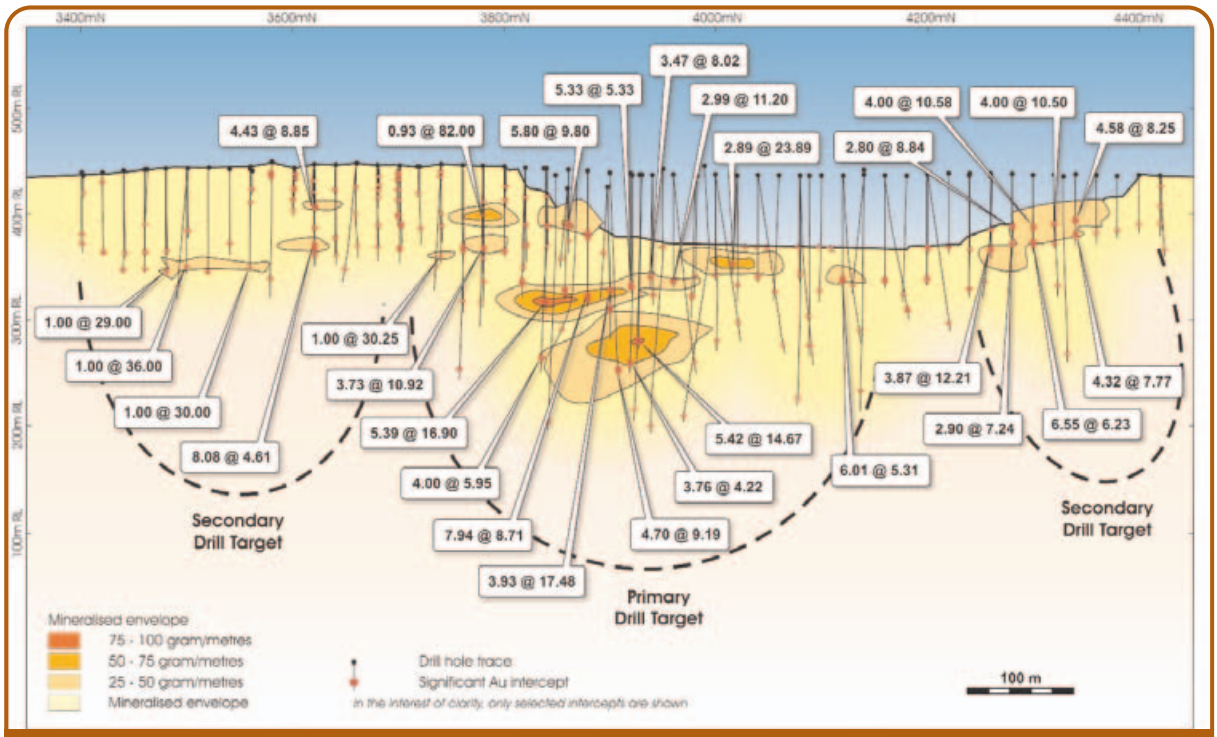


**FIGURE 6. Comet-Webb's Patch Project – Comet Gold Deposit – Gold Assay Long Section (Looking Northward)**

Compositionally, the lodes are chlorite-quartz-actinolite banded mafic units with around 10% iron sulphides, predominantly pyrrhotite. The mineralisation is conformable with the local stratigraphy and dips to the southeast at moderate angles. The mineralisation is known to extend over 2 kilometres of strike length from the Eclipse to the Comet North deposits although the structure extends over some 4.5 kilometres where it is poorly tested by drilling south-southwest of the known gold deposits.

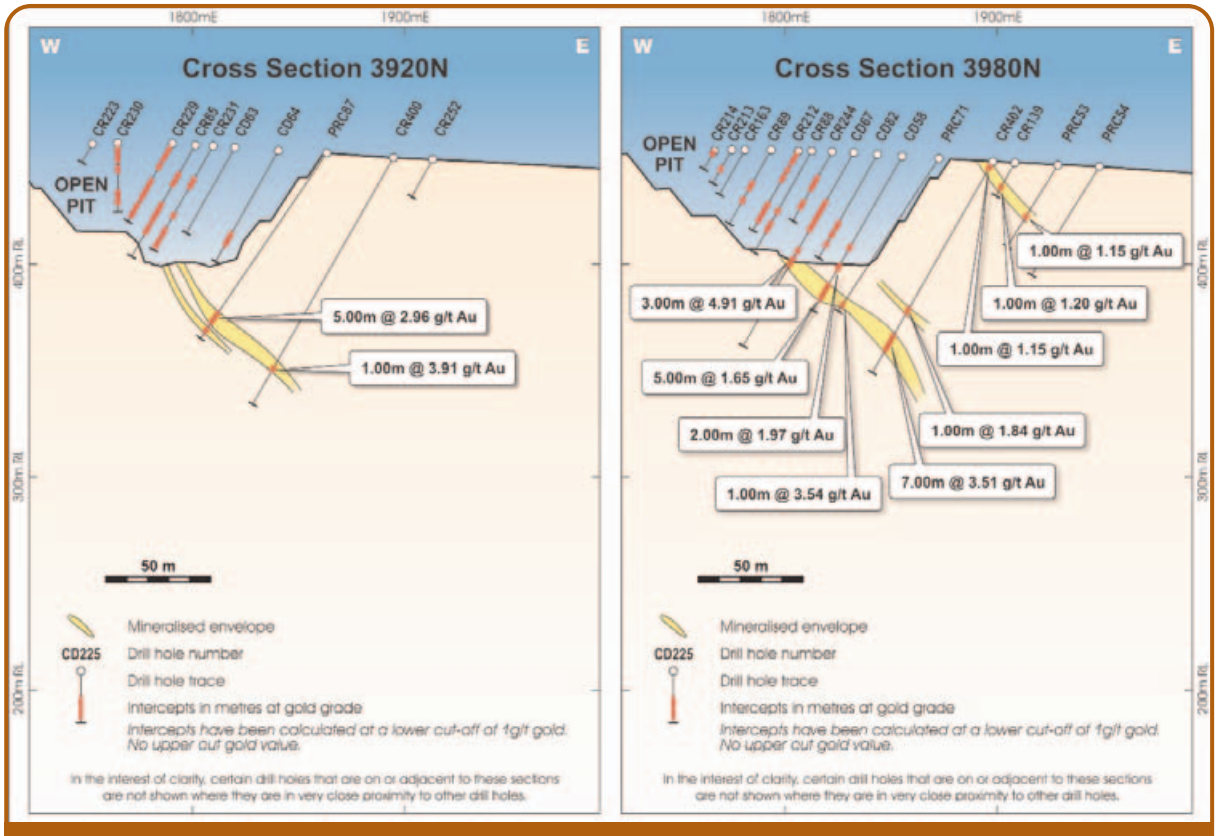


**FIGURE 7. Comet-Webb's Patch Project – Pinnacles Gold Deposit – Cross Sections 3920mN & 3980mN**

Within the lode at the Comet deposit, both steep northerly plunging and shallow southerly plunging ore shoots have been interpreted to exist. Higher grade material has been considered to be associated with deflections of the mineralised structure.

The Pinnacles deposit that is situated 200 metres to the northwest of the Comet deposit is hosted by a banded iron formation 10 to 45 metres wide. There are thirteen lodes known that range in thickness from 1 metre to 10 metres. The lodes are interpreted as steep dipping.

Tholeiitic basalts and dolerite host the Webb's Patch mineralisation that is present in one main lode that dips at 45° towards the north-northeast. Plunge of the mineralisation on the plane is 60° towards the northeast. Historic workings and evidence from drilling in the modern era demonstrate that some of the gold mineralisation in this area is proximal to porphyry dyke intrusions.

## Previous Exploration

The Comet-Webb's Patch Project area was the subject of active mining operations up to 1996. There is a large volume of data available on activities relating to the mining operations but much of this material is not directly relevant to the present prospectivity of the project area. In the following report sections only those matters pertinent to the future gold exploration and resource potential of the project area are presented.

### Exploration 1976 to 1986

As part of an extensive programme of base metal and gold exploration that was undertaken to the north of the present Comet-Webb's Patch Project area, five rock chip samples were collected from what is now the extreme northeast of Exploration Licence Application 20/531. The samples were analysed for gold but no results were obtained greater than the detection limit of 0.1 g/t.

### Exploration 1987 to 1991

Exploration was undertaken under two separate programmes.

The first programme covered an area largely equivalent to the present Mining Lease 21/81, apart from its southern extremity. Aeromagnetic data were acquired and interpreted and drilling was undertaken.

RC drilling of 30 holes for 2078 metres was completed to investigate the Webb's Patch structure within the present Mining Lease 21/81. Samples were collected over one metre intervals with alternate samples being submitted for gold analysis. Where a gold content of greater than 0.1 g/t was obtained, the adjacent samples were also submitted for analysis. Seven of the holes returned one metre intervals of greater than 1 g/t gold with the highest result being 10.55 g/t from 23 metres associated with metasediment in contact with porphyry and another hole returned a one metre interval at 8.72 g/t gold from 72 metres also in metasediment. Other results of interest, in separate holes, included 3.68 g/t gold over 1 metre in metabasalt from 46 metres and 1.04 g/t gold over 1 metre in banded iron formation from 11 metres. These elevated analyses were obtained from an area largely covered by transported overburden from localities extending over a 5 kilometre strike length.

The second programme mainly covered portions of the concealed greenstone succession within the present Exploration Licence Application 20/531, parts of the southern portion of Exploration Licence Application 21/121 and off property ground to the south. Again aeromagnetic data were acquired and interpreted but the principle exploration tool over the present project area was vacuum drilling for some 7800 metres and 148 metres of RC drilling.

Vacuum drilling was carried out over extensive areas of the central portion of Exploration Licence Application 20/531 at 50 metre intervals along lines spaced 200 metres apart and a small area south of Mining Lease Application 21/164 now within Exploration Licence 21/121. Holes were drilled to depths of up to 18 metres although most ranged up to 5 metres: drill penetration was limited to dry unconsolidated material. In all, nine positive bottom hole samples returned assays at or above 0.10 g/t gold for a maximum of 0.33 g/t. Other results of interest included 2.75 g/t gold for a rock chip sample collected from the northern portion of Exploration Licence Application 20/531. Overall, the programme results were inconclusive because of the ineffective penetration of the vacuum drilling technique for a significant proportion of the drilling. Two closely spaced RC holes returned low gold values with a maximum of 0.26 g/t gold over a 2 metre interval.

### Exploration 1987 to 1989

RAB drilling was undertaken over an area that covers much of what are now Mining Lease Applications 20/508, 21/164 and Exploration Licence Applications 21/121 and 21/115. In all, 129 short reconnaissance holes were drilled at nominal 100 metre intervals along widely separated and selected lines for 2056 metres. Purpose of the drilling was to ascertain the bedrock sequence beneath soil and transported cover: granite was identified in the west with

greenstone belt rock types occurring in the east with the contact being a fault. Four metre samples were collected and analysed for gold and arsenic. Gold results were generally low but 14 sample intervals returned gold values at or above 0.10 g/t with a maximum of 0.14 g/t.

The programme was successful in identifying continuity of the greenstone succession under cover particularly east of the Comet-Pinnacles area and within Exploration Licence Application 21/115. However, because the drilling method did not effectively penetrate transported overburden consistently the overall effectiveness of the programme was compromised. Additional work was recommended but never carried out.

### Exploration 1990 to 1994

An area was explored that covers parts of the present Mining Lease Applications 20/508 and 21/164, Exploration Licence 21/110, Exploration Licence Applications 21/115, 21/121 and 20/531 as well as Prospecting Licence 21/629 and Prospecting Licence Applications 20/1931, 21/641 and 21/642. Activities appear to have been restricted to field reconnaissance and an interpretation of aeromagnetic data apart from some drilling to the west of the Venus-Pinnacles trend that is partially within the northern part of Mining Lease Application 21/164 and adjoining areas now within Exploration Licence Application 21/121.

The drilling completed amounted to 203 short RAB holes for 1692 metres. Holes were at 10 metre centres on a series of seven traverses some 400 metres apart and orientated east-southeast. The drilling was intended to test the interpreted greenstone-granite contact and may have been ineffective owing to the shallow nature of the drilling. Composite samples were collected over 4 metre intervals and analysed for gold. Results were generally low except for a 0.18 g/t gold analysis from the southernmost line of holes within Mining Lease Application 21/164.

### Exploration 1993 to 1995

An area that covers most of the present Exploration Licence Application 20/531 was explored during the period. Activities comprised geological mapping at 1:50 000 scale, the acquisition and interpretation of aeromagnetic data and limited rock sampling.

Two lateritic ironstone lag samples were collected from what is now the east central portion of the Exploration Licence Application. The samples were analysed for gold and arsenic: both returned less than the detection limit of 1 ppb gold with the arsenic results also being low.

### Exploration 1997 to 1999

Much of the present area of Exploration Licence Application 20/531 was the subject of exploration during the period as well as a large area extending to the northeast.

Geological mapping was completed at 1:10 000 scale.

Soil geochemistry was undertaken at 50 metre spacings with 2149 samples being collected in all: around one third of the sampling is within the present project area. Soil from 300 mm depth was screened at 5 mm and submitted for BLEG analysis for gold. Alternate samples were also analysed for arsenic, copper, lead, zinc and nickel. Generally elevated results of a few ppb gold were obtained in the western part of Exploration Licence Application 20/531 with the highest spot values in the northwestern part of the tenement ranging up to 73.5 ppb.

Eleven rock chip samples were collected along with four samples of old drill cuttings. All of these samples were collected either within or very close to the current property area. A gold result of 384 ppb was obtained from one rock sample in the central part of Exploration Licence Application 20/531 with the next highest result of 24 ppb gold being located to the northeast.

Subsequently, a 22 hole for 864 metres RAB drilling programme was completed near what is now the western boundary of Exploration Licence Application 20/531. The holes were completed on three east-west lines at 100 metre spacings. Samples were 5 metre composites that were analysed for gold with end of hole samples being analysed for arsenic, copper, lead, zinc and nickel. The highest gold result was 143 ppb over five metres. The individual one metre samples for the interval were analysed with the best result being 179 ppb gold. The dominant rock types encountered were ultramafics and mafics but the holes do not appear to have been optimally sited with respect to the anomalous soil and rock geochemical results.

### Exploration 1990 to 1999

In 1995 to 1996, a major geological mapping programme was completed at 1:5000 scale that covered a large area including that around the Webb's Patch deposit that is within the present project area. Emphasis was on structure and the controls on mineralisation. Petrographic descriptions were completed on a suite of 28 rock samples.

A short hole drilling programme was undertaken subsequently in what is now part of Mining Lease Application 20/508 where an east-west line of RAB holes was drilled due north of the Comet deposit. In all 18 inclined holes for 263 metres were completed at intervals of 12 metres. Samples were collected over three metre intervals and analysed for gold. No elevated results were obtained with the highest being 4 ppb. Note that these holes investigated the western greenstone contact with granitoid terrain and were not situated along strike from the Comet deposit structure.

A major exploration programme involving geological mapping, aeromagnetometry surveys, soil sampling, RAB drilling, aircore drilling, RC drilling and diamond core drilling was undertaken much of it north-northeast of and along strike from the Comet deposit but also in the area covering parts of Exploration Licence Application 21/115. A significant proportion of this work was outside the current project area apart from a few holes in a thin strip of Mining Lease Application 20/508 that is immediately east of Mining Lease 21/72 covering parts of the northerly strike extension of the Comet-Eclipse trend and a north-northeasterly trending structure to the southeast within Exploration Licence 21/115.

The work confirmed the northward extension of the Comet deposit structure with a best intersection of 2 metres at 1.66 g/t gold.

### Exploration 2000 to 2005

Six deep RC holes were drilled at the Pinnacles deposit for a total of 1352 metres. Samples were collected over one metre intervals and analysed for gold, silver, arsenic, copper, lead, zinc, molybdenum and tin. Duplicate and standard samples were also included with the routine samples both at the rate of 1 in 30. All six of the holes intersected mineralisation of greater than 1 g/t gold with the best intercept being 10 metres at 2.14 g/t from a depth of 102 metres. The holes were intended to test for down dip extensions of the near surface mineralisation.

In 2001, a geological study was undertaken over a large area that covered much of the present Comet-Webb's Patch Project area. The purpose was to use geological mapping and interpretation of high resolution aeromagnetic data to generate gold targets for further exploration.

Five targets were generated that lie within the present tenements. Four of these are located in what is now the western part of Exploration Licence Application 20/531 with two of the targets being flexures in the north-northeast trending structure and the other two being areas of interpreted demagnetisation. The fifth target is in the north of Mining Lease 21/81 along strike from the Webb's Patch mineralisation and is also an area of interpreted demagnetisation.

Around the same time, a study was completed on the regolith geology of the present Comet Webb's Patch Project area as part of a much larger area that extended considerably to the west.

Existing geochemical data were reviewed in the light of the interpreted regolith. As a result, nine anomalies were generated within the present project area, three near the Comet deposit and the balance in the Webb's Patch vicinity. An inspection of one of the anomalies near the deposit showed that this was attributable to alluvial wash from the deposit and thus did not warrant further investigation.

Two of the anomalies in the Webb's Patch area were explored by aircore and RAB drilling. In all, 23 aircore holes were drilled for 1422 metres plus 1 RAB hole for 78 metres. Initial samples were collected over four metre intervals with one metre samples being taken where elevated gold results were obtained. Bottom of hole samples were also taken over one metre. Analytical determinations were for gold plus a suite of 14 other elements. Geochemically anomalous gold results were obtained from drillholes at both anomalies although generally of less than 1 g/t. The best result was 7 metres at 0.95 g/t gold. The gold anomalism was considered to be associated with transported materials.

In 2002, the results of an airborne EM TEMPEST survey published in 1999 were reviewed. The survey covered the current Comet-Webb's Patch Project area and beyond and was flown along flight lines spaced 200 metres apart orientated northwest to southeast. The review undertaken by the explorer of these data focussed upon a conductivity anomaly located beyond known surface workings and between the Comet North and Pinnacles open pits. The available drilling data relevant to this anomaly was examined and it was interpreted that the cause of the anomaly was linked to a magnetic iron formation of the Venus-Pinnacles trend associated with weak gold mineralisation. No further work was carried out to specifically drill test this EM anomaly or review or test the cause of the other identified conductivity anomalies.

At the beginning of 2003, a feasibility study was completed on a proposed underground mining operation at the Comet deposit: this appears to have been an update of an earlier feasibility study at the end of 2001. The deposit on which these studies were based was the estimate of November 2001 of 840 000 tonnes at 6.1 g/t gold. Access to the underground workings was to be by decline with the material being trucked to Mount Magnet for processing. The basis of the feasibility study is outdated and it is not considered further here.

### Resource Estimation and Exploration Targets 2001 and 2002

Resources were estimated at the Comet, Pinnacles and Webb's Patch deposits based on extant drilling data during 2001 and 2002. These estimates were prepared for internal reporting purposes and thus not expressly prepared for public reporting to JORC Code compliance standards. In the following summary, the procedures followed in the preparation of these estimates are reported and are judged to have been performed to a high standard of competance. However, because these estimates were not specifically identified as JORC Code compliant but were completed to a high standard they are considered to represent Exploration Targets and are reported here as such.

### Comet Deposit

The Exploration Target at the Comet deposit was estimated in late 2001. It was noted that the existing drillhole database had a number of deficiencies. Among other matters, the following were instanced:

- no detailed geology was recorded for the drilling although rock types were identified for most drill samples
- azimuths and declinations were not recorded for drillhole collars although downhole surveying information was available to approximate these details
- oxidised and primary materials were not distinguished
- few measured density data were available
- the quality of the analyses was unknown
- the general quality and validity of the entire database was unknown.

Estimation of the Exploration Target was undertaken using a computer based system incorporating data from 473 drillholes and 9676 records. Analyses were composited to one metre lengths. Experimental variograms were generated for both the analyses and the composites but were considered unsatisfactory.

A block model was constructed for the deposit down to 170mRL with a basic block size of 20 metres by 20 metres by 20 metres but with sub blocks. Block volumes were converted to tonnages using an *in situ* bulk relative density of 3.2 for the Upper Lode and 3.4 for the Lower Lode.

Grades were interpolated in to the blocks using an inverse distance cubed algorithm. A search ellipse of 60 metres by 30 metres by 20 metres was adopted with a plunge of 45° to the south. Repeated passes at multiples of the search ellipse were used to obtain sufficient gold results for interpolation.

Three different estimation procedures were adopted. In the first, all boundaries were treated as hard and the blocks were restricted to the Upper and Lower Lodes. The second procedure in effect incorporated the internal waste between the Upper and Lower Lodes and the third estimated the target material from the footwall of the Lower Lode to the hanging wall of the Talc Chlorite unit above the Upper Lode.

For each of the three procedures, top cuts of 25 g/t and 35 g/t gold were applied along with no top cut. A lower cut-off of 3 g/t gold was applied throughout. The approach adopted resulted in target estimates within the following range:

| | |
|---|---|
| Lower Range Comet Exploration Target | 688 000 tonnes at 4.8 g/t gold |
| Upper Range Comet Exploration Target | 840 000 tonnes at 6.1 g/t gold |

*At the time of the preparation of the above estimate of the potential quantity and grade, the estimate was conceptual in nature and there were insufficient data available to define a Mineral Resource and it was uncertain if further exploration would result in the determination of a Mineral Resource.*

In a following section of this report, a recently completed JORC Code compliant resource estimate for the Comet deposit is reported.

### Pinnacles Deposit

In September 2002, the Exploration Target at the Pinnacles deposit was estimated. This was again based on a database acquired from a previous owner comprising records from 464 drillholes, including 37 cored holes, 269 RC holes, and 158 RAB holes, for a total of 19364 metres of drilling. Some reservations were expressed about the database as follows:

- no geology was recorded for the greater part of the drilling
- most drillhole collars were not specifically recorded and the location of the sample closest to surface was used instead
- no detailed density data were available and those used were from mining operations in similar lithologies
- the quality of the analyses was unknown
- the general quality and validity of the entire database was unknown.

A computer based technique was used to estimate the resource. Analyses were composited over one metre lengths. Variograms were generated but were generally considered unsatisfactory.

The block model that was constructed for the deposit had a basic 20 metres by 20 metres by 20 metres block size but with sub blocks and had a base at 300mRL. Block tonnages were estimated by applying an *in situ* bulk relative density of 2.45 to the block volume for oxide mineralised material with 2.65 and 2.75 being used for the transitional and fresh materials respectively.

Block grades were estimated by using an inverse distance squared algorithm. The search ellipse was 40 metres by 20 metres by 10 metres plunging towards 060°. Sufficient analytical results for interpolation were obtained by repeated passes at multiples of the search ellipse.

A top cut of 8.5 g/t gold was applied with a lower cut-off of 0.8 g/t for the oxide material and 2.0 g/t gold for the fresh.

Exploration Target range for the Pinnacles deposit comprises a lower range estimate for fresh rock material and an upper range estimate based up on both oxide and fresh rock domains as follows:

| | |
|---|---|
| Lower Range Pinnacles Exploration Target | 150 000 tonnes at 3.1 g/t gold |
| Upper Range Pinnacles Exploration Target | 400 000 tonnes at 2.1 g/t gold |

*The above estimate of the potential quantity and grade is conceptual in nature and there are insufficient data available to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

### Webb's Patch Deposit

In September 2002, an Exploration Target was also estimated for the Webb's Patch deposit. This was again based on inherited data incorporating records from 38 RC holes and 4 cored holes for a total of 2525 metres of drilling. Fewer reservations were expressed about this database although it was noted that there was no information on the quality and validity of the data and that no density measurements appeared to exist.

The estimation procedure adopted was essentially the same as that for the Pinnacles deposit, except that the basic block size was 10 metres by 10 metres by 10 metres, the search ellipse was 20 metres by 10 metres by 5 metres, the top cut for mineralisation was 17.0 g/t gold and the lower cut-off was 0.8 g/t gold for all mineralisation.

The Exploration Target range for the Webb's Patch deposit comprises a lower range estimate for fresh rock material and an upper range estimate based up on both oxide and fresh rock domains as follows:

| | |
|---|---|
| Lower Range Webb's Patch Exploration Target | 3 500 tonnes at 4.2 g/t gold |
| Upper Range Webb's Patch Exploration Target | 44 000 tonnes at 4.7 g/t gold |

*The above estimate of the potential quantity and grade is conceptual in nature and there are insufficient data available to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*

## Current Tenement Exploration by Alloy Resources Limited 2005

In 2005, ARL acquired data from the 1999 TEMPEST airborne EM survey covering the Comet-Webb's Patch Project area. These data were processed for the Comet area to illustrate sub-surface conductivity responses and were represented as conductivity image plans for the area corresponding to several depth slices from surface.

Analysis of the information with increasing depth led to the identification of conductivity anomalies within the immediate environs of the Pinnacles, Comet and Comet North mined localities reflecting known conductive gold-pyrrhotite-pyrite mineralisation at near surface levels. At greater depths, conductivity imaging at 125 metres depth, beneath the depth of existing open pit mining and much of the known drill coverage, demonstrated conductivity anomalies which were interpreted as representing both down plunge and adjacent blind potentially mineralised targets for future investigation.

Beyond the Pinnacles, Comet and Comet North localities, two new blind conductivity targets were also identified on conductivity imagery at 125 metres depth which lie respectively 1500 metres and 2000 metres south-southwest of the Comet open pit, along an extension of the Comet-Eclipse mineralised trend. These targets lie in an area within Mining Lease 21/72 where surface mapping has identified north-northeasterly trending shearing and where existing drilling is inadequate to test blind mineralisation at the target depth indicated from the conductivity data and therefore represent significant targets for future investigation.

## Comet Gold Deposit Resource Estimation by Alloy Resources Limited 2005

In the course of the preparation of this report, ARL commissioned Dr S. Carras, who is a Fellow of the Australasian Institute of Mining and Metallurgy, to assume the role of Competent Person and revalidate the Comet deposit block

model produced in November 2001 and prepare a resource estimate consistent with requirements for the prevailing JORC Code compliance. The drilling database used in the assignment included records from 473 drillholes for a total of 25216 metres, the majority of which are cored holes.

Due diligence appraisal of an appropriate classification for the estimated resources included a consideration of a number of deficiencies in the database including topics related to:

- the lack of quality control data relating to assaying
- the adequacy of the downhole surveying methods used
- the sparse drillhole spacing below the 300mRL level.

An investigation of the above and related topics led to the discovery of information not previously considered in earlier investigations. These data allowed for an improved analysis of extant repeat gold assays, results relating to measured bulk relative densities and further consideration of the application of upper and lower cut-offs. Of further interest were data discovered showing evidence of coarse gold visible in core from Comet.

In summary, appraisal of these issues led to:

- the classification of resources below 300mRL as Inferred Mineral Resources because of the lower drilling density at deeper levels and to reflect uncertainities linked to a lower frequency of downhole survey determinations and assay quality assurance issues
- the selection of an upper cut of 25 g/t based on the mean plus two standard deviations of all intersections greater than 1 g/t gold
- the adoption of a lower cut of 3 g/t for block grades to reflect future underground mining potential
- the adoption of measured *in situ* bulk relative densities of 3.2 for the Upper Lode and 3.4 for the Lower Lode mineralisation
- the interpretation that quality control data relating to assaying is largely absent from the extant database apart from acceptable internal laboratory repeat assays
- the interpretation that the presence of coarse gold in the deposit is based on several references to visible gold in drill core and poor assay repeatability in a small population of available duplicate assays
- the adoption of resource categories of lower confidence levels to reflect the uncertainities associated with quality assurance issues.

Estimation of the resource was undertaken using a computer based system and a model which recognized that future mining would be by underground methods. Opting for this scenario meant that the Upper and Lower Lodes at Comet were modelled separately. Analyses were composited to one metre lengths or parts thereof.

A block model was constructed for the deposit down to 170mRL with a basic block size of 20 metres by 20 metres by 20 metres but with sub blocks measuring 20 metres by 10 metres by 20 metres also being used for modelling purposes. Block volumes were converted to tonnages using measured *in situ* bulk relative densities of 3.2 for the Upper Lode and 3.4 for the Lower Lode.

Grades were interpolated in to the blocks using an inverse distance cubed algorithm. A search ellipse of 60 metres by 30 metres by 20 metres was adopted with a plunge of 45° to the south. Repeated passes at multiples of the search ellipse were used to obtain sufficient gold results for interpolation. Blocks were categorised as Indicated Mineral Resource above 300mRL or approximately 140 metres below surface where a single pass resulted in at least two samples for estimation purposes with other blocks being classified as Inferred Mineral Resource. All blocks below 300mRL were classified as Inferred Mineral Resources.

The estimation procedure adopted a top cut of 25 g/t gold based on the mean plus two standard deviations of all the intersections greater than 1 g/t gold. Statistical treatments showed that a top cut of 40 g/t gold was a valid upper cut. However, adoption of this higher cut, which translates to an overall difference of 4% on the global resource grade, was not adopted to allow for any issue that may have occurred in assaying.

At a lower cut-off of 3 g/t gold and applying an upper cut of 25 g/t, a JORC Code compliant resource at Comet was estimated to be as follows:

| | |
|---|---|
| Indicated Mineral Resource | 490 000 tonnes at 5.8 g/t gold |
| Inferred Mineral Resource | 350 000 tonnes at 6.5 g/t gold |
| Total Mineral Resource | 840 000 tonnes at 6.1 g/t gold |

The tonnages have been rounded to the nearest 1000 and grades rounded to one decimal place.

## Due Diligence on Resources

In the course of preparing this report, due diligence was undertaken by Mackay & Schnellmann Pty Limited on the Comet resource.

For the Comet resource, independent checks were performed on the resources attributable to five cross sections selected at random. The due diligence resource check was carried out using a different technique to that of the 2005 resource estimate namely a cross sectional manual method. The estimation was undertaken only on the Upper and Lower Lodes with none of the internal or hanging wall waste being incorporated.

Intercepts of greater than 3 g/t gold were delineated for each drillhole on the section. The length weighted average grades of the intercepts were calculated using where appropriate an upper cut of 25 g/t gold. The intercepts were extended half way to the adjacent drillhole on the section to produce a block area. Where appropriate, intercepts were extended down dip to a maximum of 170mRL, the greatest depth to which the 2005 resource estimate was extrapolated. In the up dip direction, intercepts were extrapolated as far as the old open pit bottom. The block area was extrapolated half way to the adjacent sections to produce a block volume that was converted to a tonnage using the *in situ* bulk relative densities of 3.2 for the Upper Lode and 3.4 for the Lower Lode.

The block tonnages were summed by section and the tonnage weighted sectional grades calculated. These were compared with the estimates for the equivalent sections as had been carried out in June 2005. The comparison is given in Table 1.

Table 1 – Comet Deposit Due Diligence Check on Resource Estimate

| | Resource Estimate 15 June 2005 | | | Mackay & Schnellmann Pty Limited | | |
|---|---|---|---|---|---|---|
| Section | Tonnes | Grade | Tonnes x Grade | Tonnes | Grade | Tonnes x Grade |
| 3760mN | 7609 | 5.18 | 39422 | 13085 | 4.55 | 59480 |
| 3820mN | 42745 | 5.20 | 222456 | 11178 | 6.54 | 73077 |
| 3840mN | 54292 | 5.56 | 302034 | 32788 | 9.26 | 303730 |
| 3900mN | 51301 | 7.73 | 396782 | 41159 | 9.81 | 403745 |
| 3960mN | 34084 | 6.55 | 223174 | 33127 | 8.48 | 280807 |
| Total | 190031 | 6.23 | 1183868 | 131337 | 8.53 | 1120839 |

*Grades are given in g/t gold.*

As can be seen, the overall comparison on contained gold is good with the difference being less than 10%. However, the computer based resource estimation tends to produce a higher tonnage at a lower grade than does the manual method. This suggests that the computer approach may be smearing out the grade of the deposit. This aspect would bear examination when the resource is next estimated as the average grade is a critical factor in an underground mining operation.

On a section by section basis, there are two instances where the computer and manual methods differ markedly in their results: these are sections 3760mN and 3820mN. For the first, the manual resource is higher on a contained gold basis than is the computer resource. The section is on the margins of the deposit and has a relatively low tonnage: some variability can be expected in this situation. For the second 3820mN section, the manual resource is considerably lower on a contained gold basis than is the computer resource. This appears to be due to the computer resource technique extrapolating high grades in to a deeper undrilled portion of the deposit. The manual method does not extrapolate high grades in to this area because the deepest hole on the section has no grades greater than 3 g/t so in effect closing off the deposit at depth. The computer approach is extrapolating a high grade ore shoot along strike. This may or may not be valid and can only be settled by further drilling in such areas.

It is considered that the criteria used to categorise the Indicated and Inferred Mineral Resources in the June 2005 estimate are appropriate and reflect the relative confidence attached to each resource category.

In summation, the June 2005 resource estimate is judged to have been prepared to a high level of proficiency and is considered acceptable as an estimate of the contained gold of the Comet deposit. However, the tonnage may be over estimated and the grade under estimated.

## Mining History

Mining activities commenced in the area in 1913 with production up to 1983 being by underground mining. Open pit mining was undertaken in the late 1980s at the Comet and Pinnacles deposits with production being 638 335 tonnes at 3.45 g/t gold. In the 1990s, further production from the Pinnacles, Eclipse, Venus and Comet North deposits amounted to 545 147 tonnes at 2.24 g/t gold.

## Prospectivity

The gold prospectivity of the Comet-Webb's Patch Project area is considered to be high with exploration potential being present in the quantified resources that are known to be present as well as in extensions to the resources at depth and along strike.

At the Comet deposit applying a lower cut-off of 3 g/t gold and an upper cut of 25 g/t gold, a JORC CODE compliant resource has been estimated as follows:

| | |
|---|---|
| Indicated Mineral Resource | 490 000 tonnes at 5.8 g/t gold |
| Inferred Mineral Resource | 350 000 tonnes at 6.5 g/t gold |
| Total Mineral Resource | 840 000 tonnes at 6.1 g/t gold |

Exploration potential at the Comet deposit is present at depth below the quantified resource and along strike following the same shear structure that hosts the Comet, Comet North and Ecilpse deposits.

At the Comet North and Eclipse deposits, remnant tonnages have been reported although no JORC Code compliant resource appears to have been estimated. These deposits constitute exploration targets that warrant both the estimation of resources utilising the existing database and the results from further exploration drilling.

Outside of these three deposits on the Comet-Eclipse trend, exploration potential also exists over the south-southwestern extension of the mineralised trend where two blind conductivity targets identified from a Tempest airborne EM survey represent untested drilling targets at depths below surface of the order of 125 metres.

The nearby Venus-Pinnacles mineralised trend, hosts a number of lodes developed in banded iron formation at the Pinnacles deposit and iron-rich sediments within a dominantly mafic sequence at the Venus locality. These deposits occur along the crest of the Comet anticline and there are significant portions of this trend which are not adequately tested by drilling.

At the Pinnacles deposit, located 200 metres northwest of the Comet deposit, an Exploration Target has been estimated based upon a computerized assessment of over 19000 metres of drilling. The Exploration Target range for the Pinnacles deposit comprises a lower range estimate for fresh rock material and an upper range estimate based up on both oxide and fresh rock domains as follows:

| | |
|---|---|
| Lower Range Pinnacles Exploration Target | 150 000 tonnes at 3.1 g/t gold |
| Upper Range Pinnacles Exploration Target | 400 000 tonnes at 2.1 g/t gold |

Future evaluation of the existing drilling database at Pinnacles is recommended to appraise the controls on mineralisation and conduct further drilling as a basis for an estimation of potential resources. In addition, portions of the Venus-Pinnacles mineralised trend presently untested by drilling should be targeted in future investigations.

In the eastern sector of the project area, the Webb's Patch deposit has been assessed on the basis of a computerized assessment of over 2500 metres of drilling as representing an Exploration Target. The Exploration Target range for the Webb's Patch deposit comprises a lower range estimate for fresh rock material and an upper range estimate based up on both oxide and fresh rock domains as follows:

| | |
|---|---|
| Lower Range Webb's Patch Exploration Target | 3 500 tonnes at 4.2 g/t gold |
| Upper Range Webb's Patch Exploration Target | 44 000 tonnes at 4.7 g/t gold |

The mineralisation present at Webb's Patch is reported to be open at depth and along strike to the south. Of further interest in the eastern portion of the project area is drilling evidence of a southerly continuation of the mineralised trend associated with the off-property abandoned Friar open cut and conceptual structural targets associated with poorly exposed north-northeasterly trending shears within Exploration Licence 20/531.

From a broader perspective, much of the exploration work in the Comet-Webb's Patch Project area has concentrated on the shallower parts of the known structures at the Comet, Pinnacles and Webb's Patch deposits, with little work having been completed in other areas. There is, therefore, justification for a more regionally based investigation of the portions of the project area that have not been explored that includes areas covered by surficial deposits, including transported overburden. In this context, the geochemical and geophysical anomalies, including discrete conductive targets identified by an airborne electromagnetic TEMPEST survey, generated by earlier work and that have not yet been followed up well warrant investigation.

### Proposed Exploration

Exploration work on the Comet-Webb's Patch Project area will involve a phased approach utilising a variety of techniques, mainly involving drilling for resource definition purposes and electrical geophysical methods for targeting sulphide mineralisation at depth. Exploration drilling will be undertaken designed to investigate new areas of interest based on geological, geochemical and geophysical data to target the presence of concealed auriferous zones. In this context, the conductive nature of mineralisation particularly along the Comet-Eclipse trend will be explored for using sub-audio magnetic geophysical methods to identify new drilling targets.

ARL proposes to give priority to resource definition activities which will also include metallurgical testwork and investigating the significance of coarse gold occurrence with the overall aim of increasing the mineral resources for assessment by preliminary financial scoping studies. In parallel, ARL intends sequentially to advance prospects within the project area and where warranted carry out further evaluation phases aimed at delineating potential additional gold resources.

ARL has allocated $570 000 for the first year and $625 000 for the second year of exploration over the Comet-Webb's Patch Project. The total budget is therefore $1 195 000 over two years.

## Horse Well Project

### Location and Access

The Horse Well Project area is located in the Warburton Mineral Field of Western Australia and is approximately 85 kilometres northeast of the town of Wiluna.

Access to the project area is by way of the gravel Wongawol Road that runs due east from Wiluna and that is part of the Gunbarrell Highway. At a distance of 42 kilometres from Wiluna, there is the turn off for the Granite Peak Road that goes northeast to Millrose Station at a distance of 44 kilometres. A station track runs north from Millrose Station for around 44 kilometres at which point it enters the Horse Well Project area from the south. Total road distance from Wiluna is around 130 kilometres.

The project area may also be reached via Jundee Mine. At some 5 kilometres east of Wiluna on the Wongawol Road there is a turn off for a road that runs eastnortheast to Jundee Mine. From there, a station track goes eastwards until it joins with the station track that runs north from Millrose Station. By this route, the road distance from Wiluna to the southern edge of the project area is around 99 kilometres.

Access within the project area is by way of the northward trending track that continues in the same direction through the central part of the project area. There are a large number of exploration and grid line tracks especially in the southern part of the tenement as well as other station tracks.

Away from these exploration tracks and in the area underlain by greenstone bedrock, the vegetation cover is dense to very dense. Across country travel by four wheel drive vehicle would be possible with care in some instances although foot access would be necessary in many areas. Away from the greenstone belt, vegetation is sparse and across country access would be possible by four wheel drive vehicle.

The project area has an arid climate with average temperatures ranging between 24° and 39° C in summer and 6° to 20° C in winter. Rainfall is sporadic but averages 232 mm a year.

The area of interest covers gently northerly sloping terrain drained by seasonally flowing creeks which enter the southeasterly trending Lake Nabberu salt lake system to the north of the project area. Most of the project area is covered by sandplain and sheetwash regolith except in the south where granitoids outcrop form etchplains stripped of superficial cover. Landform elements and regolith are believed to be the result of both relict and present day processes.

The majority of the project area supports low mulga woodlands and spinifex with stands of eucalyptus gums along major watercourses and sparse scrub on rocky ridges.

All exploration requirements need to be brought in to the project area as no infrastructure exists in the area.

### Tenements

The Horse Well Project is located in the Warburton Mineral Field of Western Australia and is composed of Exploration Licence 69/1772 covering 70 blocks and an area of approximately 216 square kilometres.

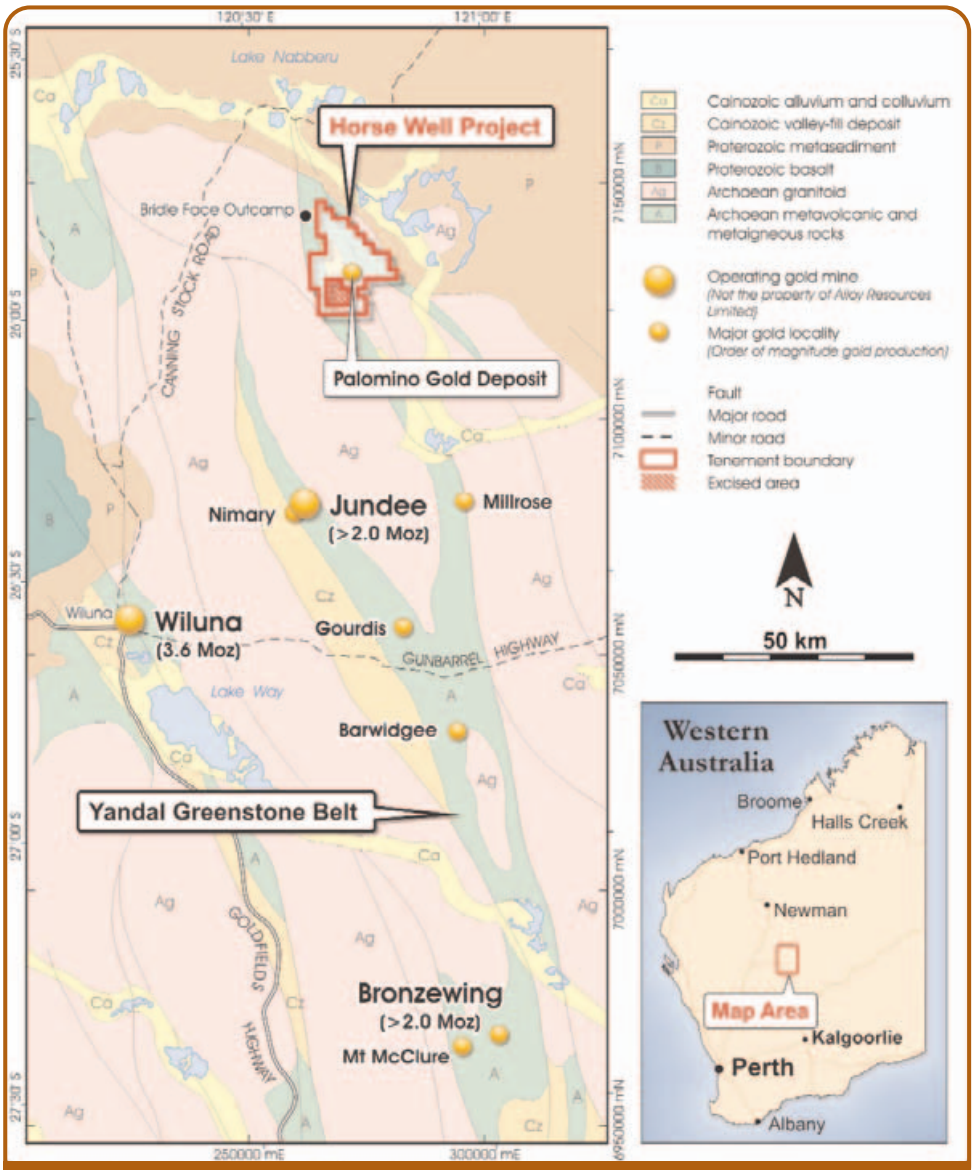


**FIGURE 8. Horse Well Project – Regional Geological Setting**

## Geology

### Regional Geology

The Horse Well Project area occupies a portion of the northern part of the Archaean Yandal Greenstone Belt and granitoid rocks of the Yilgarn Craton. It also covers part of the unconformity between the Archaean and overlying Palaeoproterozoic Earaheedy Group metasediments.

The greenstone belt consists dominantly of metamorphosed mafic, ultramafic and felsic volcanic rocks and near the north-northwesterly trending Lockeridge Fault is host to a west dipping gold mineralised shear zone system and the Palomino gold deposit. Granitoids are represented by monzonite, hornblende bearing quartz monzonite and potassium feldspar granite. The basal formation of the Earaheedy Group of metasediments comprising shale, siltstone, sandstone and carbonates is present in the eastern margins of the project area.

In a regional context, the importance of the Yandal Greenstone Belt as a gold producing province has been demonstrated only in the last 15 years. Up until the early 1990s, prospecting was hampered within the belt by superficial cover and a deep weathering profile. The successful application of intensive drilling programmes over areas of often appreciable thicknesses of transported overburden led to the discovery of major gold deposits such as Jundee and further south Bronzewing.

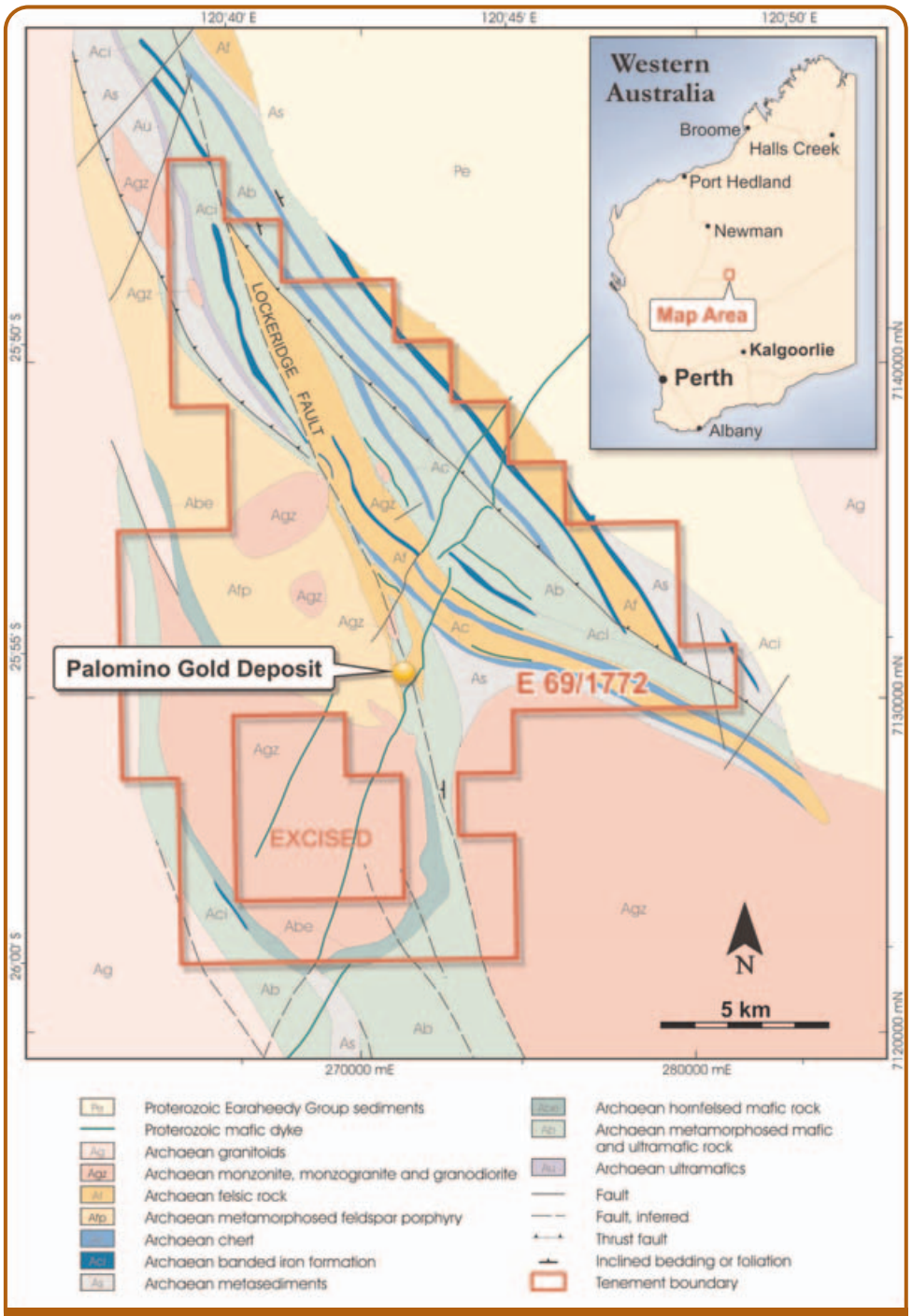


**FIGURE 9. Horse Well Project – Interpreted Geology & Tenement**

Some of the regional guides to gold mineralisation within the Yandal Greenstone Belt include:

- A linkage between gold mineralisation and regionally significant north-northwesterly trending shear zones with a focus on where shear zones converge and diverge.
- A spatial association between gold mineralisation and faults cross cutting the north-northwesterly regional trend. These cross faults may be intruded by quartz veins and/or be intruded by younger Proterozoic dolerite dykes.
- A late gold mineralising episode based on the observation that mineralisation often post dates Archaean granitiod intrusive phases particularly those intrusions found internally within the greenstone sequence.

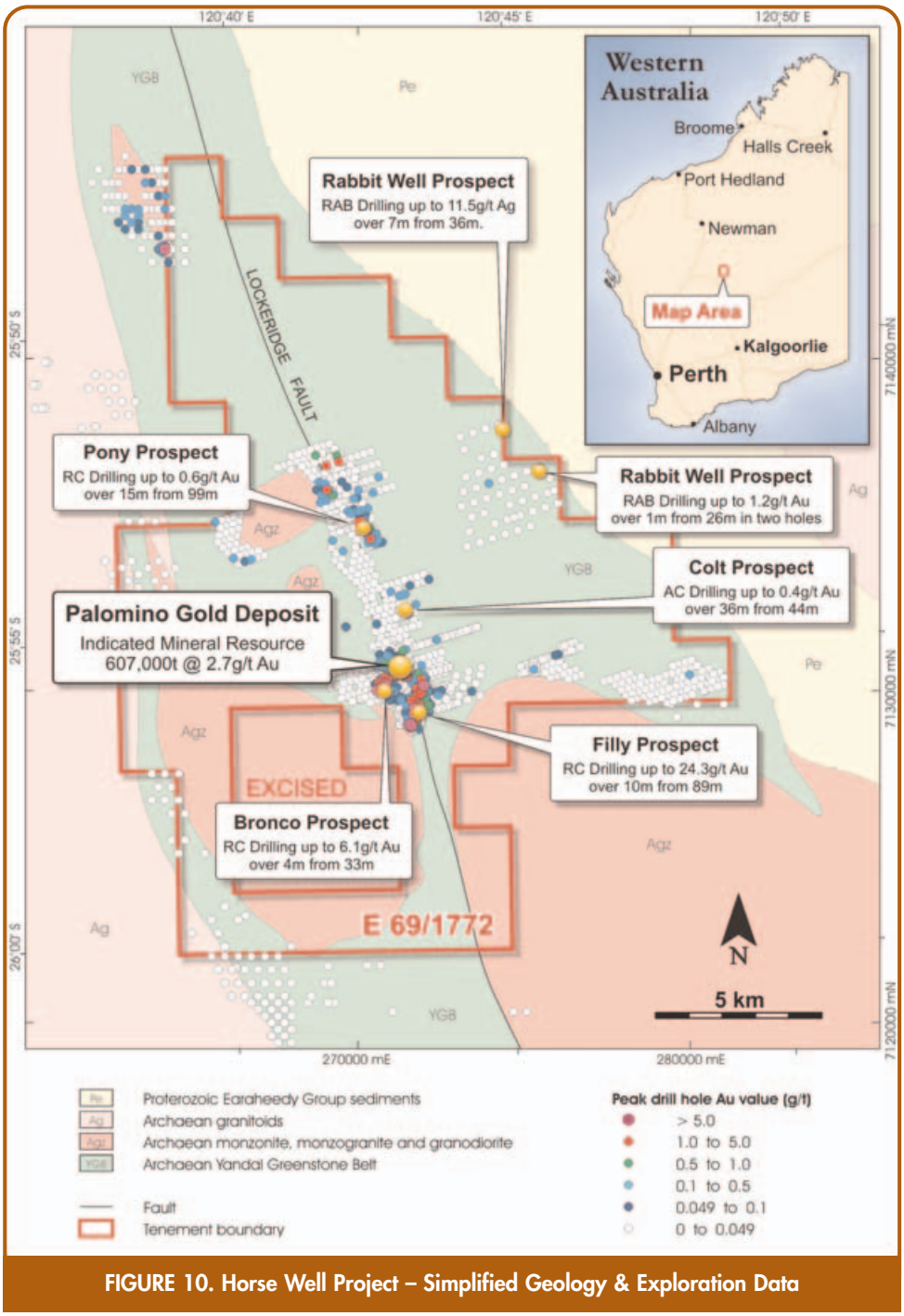


**FIGURE 10. Horse Well Project – Simplified Geology & Exploration Data**

## Local Geology

The greenstone sequence at Horse Well is poorly exposed and in some areas is covered by transported overburden therefore most information has been interpreted from drillholes and remote sensing data.

The project area covers over twenty kilometres of strike of a northwesterly trending greenstone sequence, which at its widest expression in the centre of the property, extends over a distance of some ten kilometres. The sequence in this area from west to east comprises metamorphosed feldspar porphyry, felsic volcanics, mafic and ultramafic volcanics and felsic volcanics. In places, thin banded iron formation and chert units occur. To the northwest the greenstone succession narrows and to the southeast and south of the property prominent granitoid intrusions invade the greenstone belt and reduce the greenstone sequence to narrow maginal zones surrounding the ovoid and sigmoidal granitoid contacts. Elsewhere, smaller granitoid intrusions have also intruded the greenstone sequence.

The granitoid intrusions within the project area include a variety of intermediate plutons ranging from monzonite to granodiorite in general composition. Some distinctive granitoids have been mapped as potassium feldspar granite and

hornblende bearing quartz monzonite. The significance of these intrusions to gold mineralisation in the area has not been examined in detail but it is interesting to note that thin granitic mylonitic dykes surrounded by ribbons of quartz too small to be represented on geological maps intrude the greenstone sequence.

Structurally, the greenstone belt is folded and there is interpreted evidence of thrusting although there are insufficient data available presently to determine the deformation history of the area. Some structural trends can be predicted over areas of regolith cover using aeromagnetic data.

The project area is dominated by the Lockeridge Fault which follows a north-northwesterly trend and appears to have regional significance. Along this fault, the greenstone and granitoid rocks are mylonitized and exhibit a foliation fabric and quartz veining parallel to the fault.

The Palomino gold deposit is associated with quartz filled shear zones of the Lockeridge Fault. Evidence of an interpreted later phase of quartz veining has also been observed over granitoid intrusions in the south of the project area following both northeasterly and north-northeasterly trends. Other structural trends which may indicate relict cross faulting in the greenstone sequence are the dominantly northeasterly trending Proterozoic dolerite dykes which lie proximal to the Palomino gold deposit.

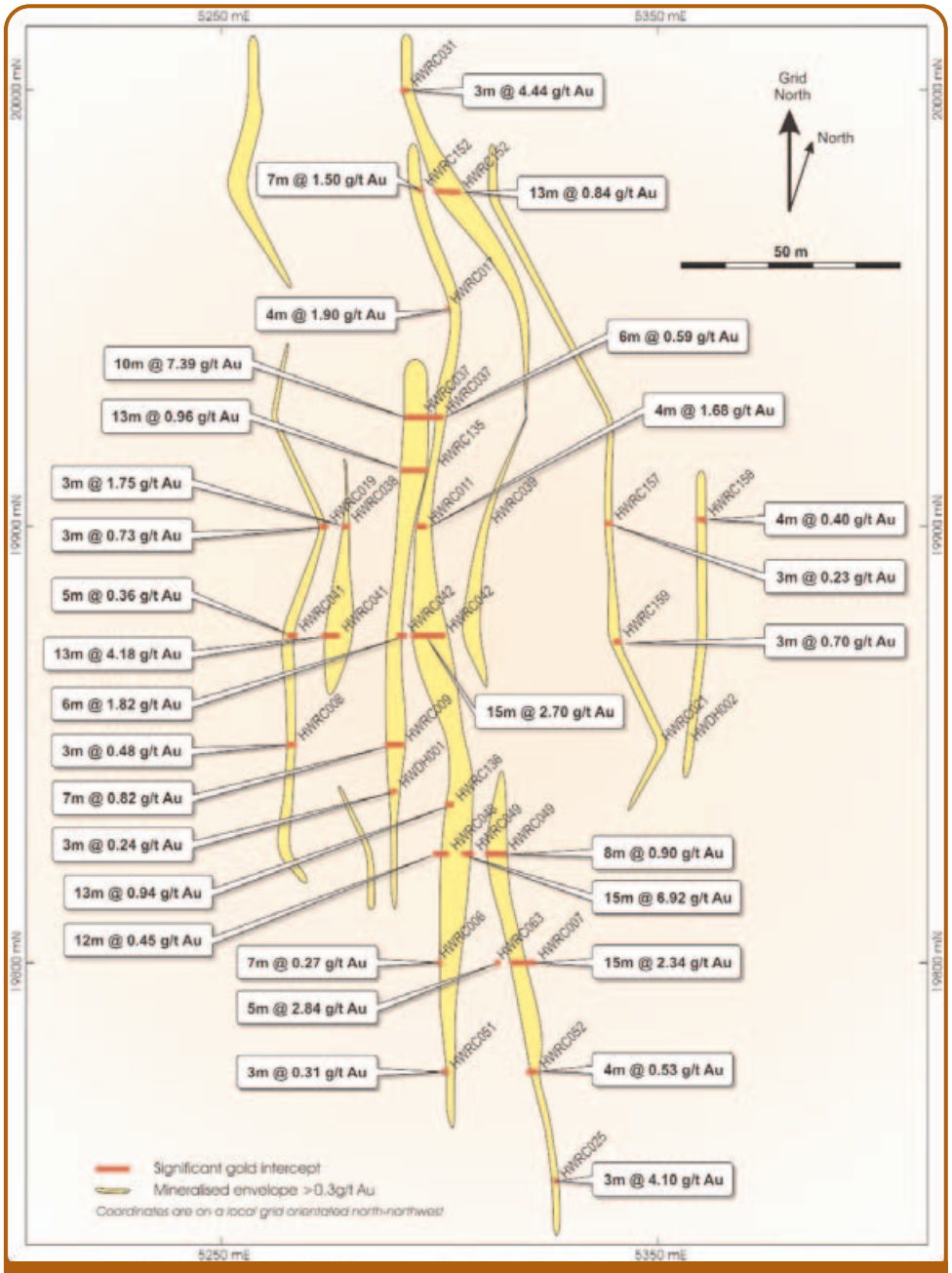


**FIGURE 11. Horse Well Project – Plan of Vein System at Palomino Gold Deposit (470m RL)**

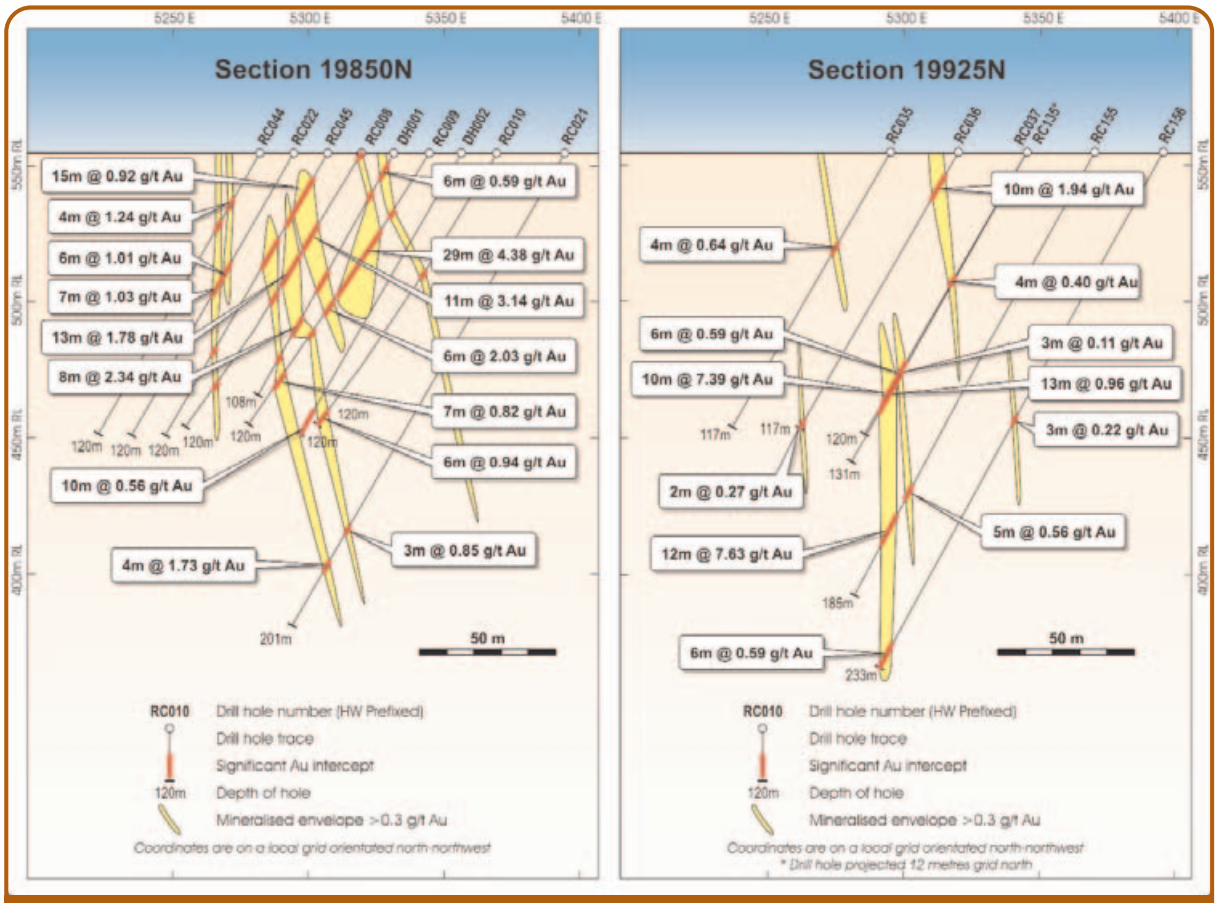


FIGURE 12. Horse Well Project – Palomino Gold Deposit – Gold Assay Cross Sections

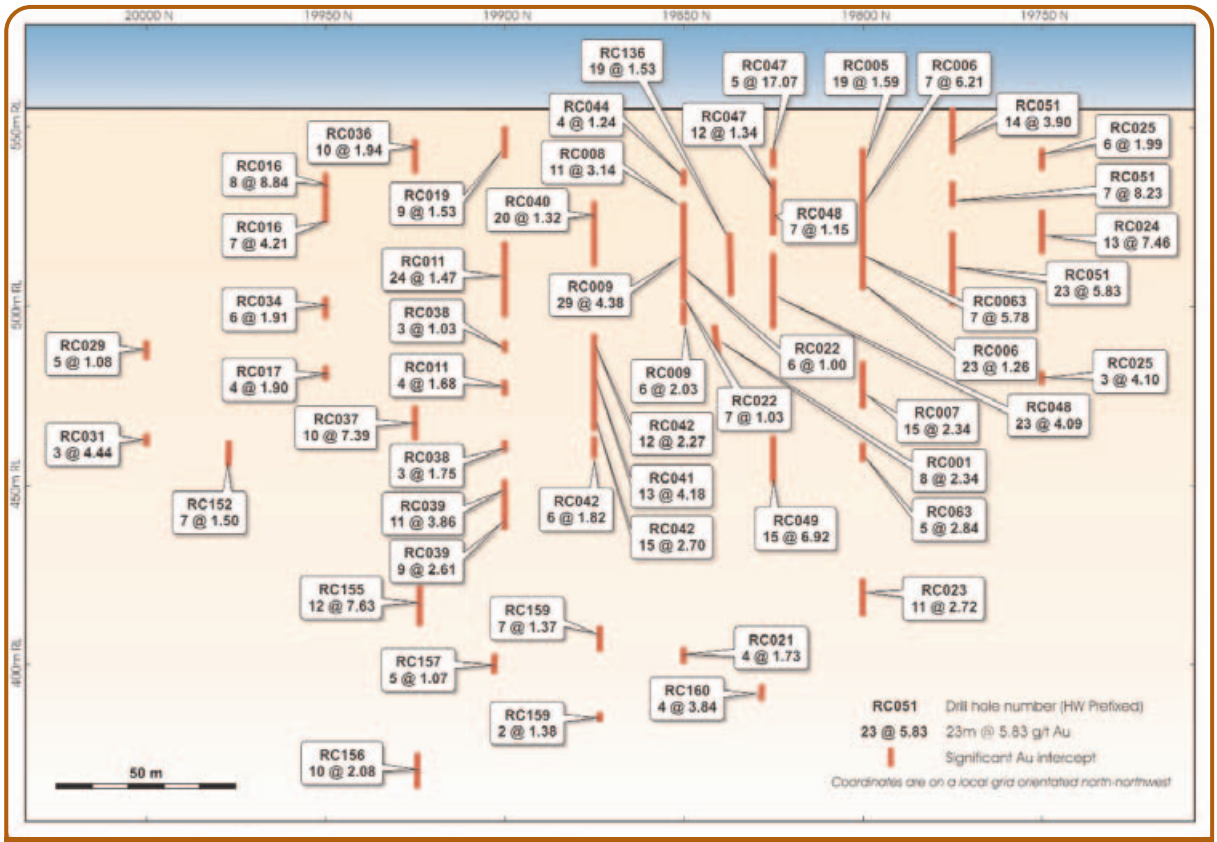


FIGURE 13. Horse Well Project – Palomino Gold Deposit – Gold Assay Long Section (Looking East)

### Mineralisation

Presently, the most significant occurrence of gold mineralisation at the Horse Well Project is the Palomino gold deposit which is hosted by a west dipping shear zone system that has an Indicated Mineral Resources of 607 000 tonnes at 2.70 g/t gold. These resources are reported more fully in a later section of this Report.

At Palomino, gold mineralisation is associated with white quartz veining in chlorite schist or with contacts with more massive basalt and dolerite rock types interpreted as boudins within a shear zone over 100 metres wide. The mineralisation consists of several north-northwesterly trending near vertical veins that are sub-parallel and in places overlapping which have been traced by drilling to occur within a mineralised zone up to 300 metres in length. Two of the veins appear to cross one another. The variation in strike between 150° and 180° causes an overall bend in the middle section of the mineralised system. Ore shoots are considered to plunge at around 45° to the north. Silica-carbonate-pyrite alteration occurs with minor pyrrhotite with ubiquitous chlorite developed on shear planes. Drilling has mainly investigated mineralisation within the near surface environment. Further drilling along strike, particularly to the north and at depth is warranted to evaluate fully the potential for further gold mineralisation.

Beyond the Palomino gold deposit, drilling has identified other gold prospects within the project area. These prospects demonstrate that gold mineralisation and anomalism is linked with areas where there is structural dislocation along the regional north-northwesterly shear trend related either to cross cutting faults or flexure points along the *en echelon* shear zones. An interesting further environment is the contact rim surrounding some of the internal granitoid intrusions. The style of mineralisation at these lesser known prospects appears to be similar to the Palomino deposit in terms of the occurrence of *en echelon* and boundinaged auriferous silicified mineralised zones.

Over eastern margins of the project area, the occurrence of sulphidic chert with vuggy quartz veining and sulphides associated with silver, lead and gold mineralisation has been interpreted as a possible exhalative horizon within the greenstone sequence in this area.

## Previous Exploration

### Introduction

Modern gold exploration began over what is now the Horse Well Project area in the early 1990s. Prior to this time gold exploration of the terrain in the area had been of a cursory nature and limited to brief reconnaissance surveys which established the presence of a poorly exposed greenstone sequence and low order gold anomalism associated with rare rock exposures. The lack of significant abandoned gold workings, poor rock exposure and the remoteness of the area deterred earlier explorers from investigating the potential of the northern portion of the Yandal Greenstone Belt of which Horse Well forms a part in favour of more accessible areas within more established gold mining areas.

Following the discovery in the mid 1990s of major gold deposits in the Yandal Greenstone Belt to the south of the present property, Horse Well has been continuously held for the majority of the period as part of a larger tenement holding which has changed ownership on several occasions during the period. Progress in advancing the area covered by the present Horse Well Project has been gained by successive RAB and RC drilling programmes which have materially improved the area's prospectivity by outlining a moderately sized gold deposit at Palomino and locating several other less well defined gold prospects mainly associated with silicified auriferous shear zones in structurally controlled environments. There is also evidence of gold anomalism related to internal granitoid intrusion contact zones and exhalative mineralisation in some lesser explored areas.

The following summary of gold exploration covering the post 1992 period covers the reporting currently available for review.

### Exploration 1992 to 1997

During the period, the present Horse Well Project area formed part of a larger exploration search area for gold in the Nabberu region. Activities over what is now the Horse Well Project area included definition of lag geochemical anomalies followed up by successive RAB and RC drilling campaigns designed to test these anomalies at depth and also to test structural targets interpreted from aeromagnetic data. In some areas, vacuum and aircore drilling was also deployed for target definition but vacuum drilling proved to be an ineffective technique where shallow groundwater or transported overburden was present.

Early success in the programme led to the discovery of the Palomino gold deposit and some nearby prospects. By the end of 1994, Palomino had been reasonably well defined by RC and limited core drilling. In 1997, further RC drilling was conducted at Palomino along with a consideration of the resource potential of the deposit.

By the end of 1995, several prospects within the present Horse Well Project area beyond the Palomino deposit had been at least partly defined by RAB drilling at differing levels of certainty based on drilling at 200 metre by 100 metre centres down to 100 metre by 50 metre centres in selected areas. RAB drill sample analysis methodology included

initial analysis for gold using 4 metre composite samples followed by reanalysis of one metre respilts where anomalous gold values were obtained. This approach was generally followed in subsequent RC drilling although towards the end of the period RC drill samples were regularly assayed from one metre interval sample splits.

Prospects were initially defined on the basis of areas with drill indicated anomalies above 0.1 g/t gold. Prospects with coherent zones of above 1 g/t gold were given priority for follow up RC drilling. On this basis several prospects were further evaluated.

In 1996 and 1997, further drilling took place using RAB, RC and aircore techniques over a number of known prospects. New prospects were also defined by drilling previously untested geochemical anomalies identified from a review of the existing geochemical database.

In 1997, a detailed aeromagnetic survey was carried out between the Colt Prospect in the north and the Filly Prospect to the south at a mean terrain clearance of 40 metres and a line spacing of 50 metres. Interpretation of this detailed survey appears to have attracted little attention.

By the end of 1997, more than 38 300 metres of RAB drilling for some 1050 holes had been completed over areas beyond the Palomino deposit together with 146 holes for 17 400 metres of RC and 1400 metres of aircore drilling for 23 holes. Three of the more interesting mineralised prospects are summarised below.

### Filly Prospect

The Filly Prospect is situated some 1000 metres south-southeast of the Palomino deposit and was defined by drilling to extend over a broadly anomalous zone some 2 kilometres long by up to 800 metres wide. Within this area, a zone measuring 450 metres by 150 metres covers the main prospect. Here, two main zones are present of northerly trending silicified sheared and boundinaged mafic volcanics containing thin quartz veins. The mineralisation is associated with finely disseminated pyrite with minor pyrrhotite. Elevated gold values were found to be intermittent and drill coverage failed to show continuity of elevated values up and down dip based on the interpreted structural orientation of the mineralisation. Further drilling was recommended aimed at identifying localised and obliquely orientated higher grade mineralised shoots.

Selected intercepts from RC drilling at Filly Prospect are given in Table 2.

Table 2 – Selected Elevated Gold Results from RC Drillholes at the Filly Prospect, Horse Well Project Area

| Drillhole | Easting | Northing | Declination/ Azimuth | Intercept | | | |
|---|---|---|---|---|---|---|---|
| | | | | From | To | Length | Au |
| HWRC089 | 5050 | 18175 | 59°/093° | 83 | 89 | 6 | 3.36 |
| HWRC088 | 5075 | 18175 | 60°/088° | 54 | 64 | 10 | 3.78 |
| HWRC079 | 5028 | 18198 | 59°/093° | 110 | 113 | 3 | 1.91 |
| HWRC064 | 5050 | 18200 | 60°/090° | 89 | 99 | 10 | 24.30 |
| HWRC083 | 5051 | 18224 | 60°/092° | 81 | 89 | 8 | 7.18 |
| HWRC068 | 5350 | 18400 | 60°/090° | 30 | 32 | 2 | 1.14 |
| HWRC143 | 5275 | 18400 | 60°/085° | 41 | 50 | 9 | 1.77 |
| HWRC176 | 5350 | 18550 | 60°/092° | 76 | 79 | 3 | 1.36 |
| HWRC177 | 5300 | 18550 | 60°/091° | 40 | 44 | 4 | 0.84 |
| HWRC208 | 5250 | 18500 | 60°/090° | 77 | 78 | 1 | 1.28 |
| HWRC208 | 5250 | 18500 | 60°/090° | 77 | 78 | 1 | 1.28 |
| HWRC208 | 5250 | 18500 | 60°/090° | 80 | 87 | 7 | 2.12 |
| HWRC208 | 5250 | 18500 | 60°/090° | 98 | 99 | 1 | 1.05 |
| HWRC208 | 5250 | 18500 | 60°/090° | 102 | 104 | 2 | 3.56 |
| HWRC208 | 5250 | 18500 | 60°/090° | 112 | 117 | 5 | 1.97 |
| HWRC209 | 5325 | 18550 | 60°/090° | 91 | 92 | 1 | 2.49 |
| HWRC209 | 5325 | 18550 | 60°/090° | 103 | 104 | 1 | 1.39 |
| HWRC209 | 5325 | 18550 | 60°/090° | 123 | 124 | 1 | 1.04 |
| HWRC209 | 5325 | 18550 | 60°/090° | 148 | 149 | 1 | 1.28 |
| HWRC071 | 5300 | 18600 | 60°/090° | 70 | 71 | 1 | 5.92 |
| HWRC071 | 5300 | 18600 | 60°/090° | 78 | 79 | 1 | 2.06 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| HWRC070 | 5350 | 18600 | 60°/090° | 16 | 20 | 4 | 7.75 |
| HWRC070 | 5350 | 18600 | 60°/090° | 25 | 28 | 3 | 3.46 |
| HWRC070 | 5350 | 18600 | 60°/090° | 73 | 74 | 1 | 4.90 |
| HWRC069 | 5400 | 18600 | 60°/090° | 24 | 25 | 1 | 3.50 |
| HWRC077 | 5450 | 18600 | 60°/270° | 17 | 18 | 1 | 5.42 |
| HWRC077 | 5450 | 18600 | 60°/270° | 22 | 25 | 3 | 2.76 |
| HWRC077 | 5450 | 18600 | 60°/270° | 38 | 39 | 1 | 2.08 |
| HWRC173 | 5300 | 18650 | 60°/091° | 87 | 89 | 2 | 2.32 |
| HWRC173 | 5300 | 18650 | 60°/091° | 95 | 100 | 5 | 3.20 |
| HWRC190 | 5450 | 18700 | 60°/272° | 104 | 107 | 3 | 1.40 |

*Note: Coordinates are on a local grid.*
*Lengths are in metres.*
*Gold contents are in ppm.*



### Bronco Prospect

The Bronco prospect is located 1.2 kilometres south-southwest of the Palomino gold deposit and the main area of interest measures some 350 metres by 150 metres within a broader zone of anomalism covering 700 metres by 250 metres.

The prospect was investigated by inclined RC drilling following earlier RAB drilling campaigns. These drilling programmes encountered weathered clays down to a vertical depth of 80 metres below surface then a sequence of metasediments, schists and some cherty metasediments. Mineralisation was found to be associated with siliceous clays in the weathered profile and at depth westerly dipping shears in a north-northwesterly trending sequence of ferruginous chloritic schists with trace pyrite.

A feature of the prospect is its location over a disruptive flexure which has been interpreted on the basis of aeromagnetics and some evidence from drillhole information to be controlled by a small porphyry intrusion.

Selected intercepts from RC drilling at the Bronco Prospect are shown in Table 3.

Table 3 – Selected Elevated Gold Results from RC Drillholes at the Bronco Prospect, Horse Well Project Area

| Drillhole | Easting | Northing | Declination/ Azimuth | Intercept | | | |
|---|---|---|---|---|---|---|---|
| | | | | From | To | Length | Au |
| HWRW228 | 4605 | 19350 | 60°/038° | 9 | 10 | 1 | 1.99 |
| HWRW228 | 4605 | 19350 | 60°/038° | 21 | 22 | 1 | 3.24 |
| HWRC222 | 4600 | 19387 | 60°/000° | 12 | 14 | 2 | 4.98 |
| HWRC222 | 4600 | 19387 | 60°/000° | 26 | 29 | 3 | 2.11 |
| HWRC222 | 4600 | 19387 | 60°/000° | 31 | 32 | 1 | 2.16 |
| HWRC222 | 4600 | 19387 | 60°/000° | 33 | 34 | 1 | 1.18 |
| HWRC222 | 4600 | 19387 | 60°/000° | 37 | 38 | 1 | 1.35 |
| HWRC221 | 4550 | 19425 | 60°/000° | 49 | 50 | 1 | 1.15 |
| HWRC221 | 4550 | 19425 | 60°/000° | 72 | 73 | 1 | 1.23 |
| HWRC221 | 4550 | 19425 | 60°/000° | 117 | 123 | 6 | 2.03 |
| HWRC221 | 4550 | 19425 | 60°/000° | 149 | 150 | 1 | 1.51 |
| HWRC221 | 4550 | 19425 | 60°/000° | 163 | 166 | 3 | 1.78 |
| HWRC221 | 4550 | 19425 | 60°/000° | 168 | 169 | 1 | 3.47 |
| HWRC167 | 4550 | 19450 | 60°/044° | 16 | 17 | 1 | 3.30 |
| HWRC167 | 4550 | 19450 | 60°/044° | 76 | 79 | 3 | 3.03 |
| HWRC226 | 4470 | 19535 | 60°/038° | 114 | 115 | 1 | 1.23 |
| HWRC125 | 4650 | 19550 | 60°/003° | 17 | 19 | 2 | 4.18 |
| HWRC125 | 4650 | 19550 | 60°/003° | 33 | 37 | 4 | 6.14 |
| HWRC125 | 4650 | 19550 | 60°/003° | 50 | 52 | 2 | 2.94 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| HWRC125 | 4650 | 19550 | 60°/003° | 59 | 62 | 3 | 5.50 |
| HWRC125 | 4650 | 19550 | 60°/003° | 72 | 76 | 4 | 2.28 |
| HWRC125 | 4650 | 19550 | 60°/003° | 87 | 89 | 2 | 1.31 |
| HWRC125 | 4650 | 19550 | 60°/003° | 104 | 106 | 2 | 1.89 |
| HWRC127 | 4697 | 19600 | 60°/359° | 86 | 92 | 6 | 3.80 |
| HWRC127 | 4697 | 19600 | 60°/359° | 96 | 101 | 5 | 3.20 |
| HWRC127 | 4697 | 19600 | 60°/359° | 109 | 113 | 4 | 1.38 |

*Note: Coordinates are on a local grid.*
*Lengths are in metres.*
*Gold contents are in ppm.*

Drilling difficulties because of poor ground conditions towards the end of the period curtailed plans to test down dip and down plunge components of the Bronco mineralised system.

### Colt Prospect

At the Colt Prospect, situated some two kilometre north of the Palomino gold deposit, a sixteen hole infill aircore drilling programme on 100 metre by 50 metre centres for a total of 1032 metres of drilling investigated mineralisation over a zone measuring 650 metres by 200 metres. The most encouraging result based on 4 metre composite samples was a broad intersection of 0.36 g/t gold over 36 metres from a depth of 44 metres, including 1.9 g/t gold over 4 metres from 60 metres. Mineralisation trends north-northwest and is associated with vein quartz in mafic schists. Further drilling was recommended better to define the mineralisation including both at depth and along strike.

## Exploration 1997 to 2000

The ownership of the present Horse Well Project area changed hands at the end of 1997 and the new owner continued exploration intermittently over the present property area and over areas beyond its boundaries.

In the 1999 field season, exploration over the present project area was resumed and included 1:25 000 geological interpretative mapping using aeromagnetic imagery and all known drilling data. Previous drillhole data were compiled in to a new database and additional RC drilling of 20 holes was carried out over some of the known gold prospects. In addition, RAB drilling was carried out aimed at identifying extensions to known mineralised areas. Where RAB drilling proved successful, an additional five RC holes further tested the potential of new gold anomalies. The majority of this drilling was conducted in the vicinity of the Palomino gold deposit but some outlying areas were tested to the north and southeast of Palomino. In all, 4767 metres of vertical RAB and 6678 metres of mainly westerly inclined RC drilling were completed.

The RAB drilling programme of 89 holes involved drilling along eleven lines orientated northeast at 160 metre by 200 metre centres and in some areas 80 metre by 200 metre centres. Initially, all drill samples were collected as 4 metre composites and a 40 gramme sample was analysed for gold by aqua regia digest. Resplits over one metre intervals were later collected for analysis along with some check fire assays where anomalous gold values were obtained. This work further identified gold mineralisation at the Filly and Pony prospects. Elevated results from the 1999 drilling programme are shown in Table 4.

Table 4 – 1999 Elevated Gold Results from RC Drillholes at the Filly and Pony Prospects, Horse Well Project Area

| Drillhole | Easting | Northing | Declination/ Azimuth | Intercept From | To | Length | Au |
|---|---|---|---|---|---|---|---|
| Filly Prospect | | | | | | | |
| HWRC 238 | 271533 | 7128955 | 60°/90° | 116 | 121 | 5 | 1.84 |
| HWRC 242 | 271594 | 7128871 | 60°/90° | 93 | 98 | 5 | 0.56 |
| Pony Prospect | | | | | | | |
| HWRC 248 | 270119 | 7134806 | 60°/90° | 99 | 114 | 15 | 0.62 |

*Note: Coordinates are Australian Geodetic Datum 1984.*
*Lengths are in metres.*
*Gold contents are in ppm and refer to drill intercepts of 5 metres or greater after applying a cut-off of 0.2 g/t gold.*

## Exploration 2000 to 2001

During the period the ownership of the area now covered by the Horse Well Project changed hands again. The new owner mainly focussed its attention on evaluating the resource at the Palomino gold deposit.

A resource estimate was prepared for the Palomino deposit in the second half of 2000. The estimate was based upon 236 RC drillholes for some 33 498 metres and 2 diamond core holes for 228 metres.

The estimation approach was computer based and utilised an inverse distance squared algorithm for grade estimation in to blocks of 10 metres by 25 metres by 10 metres with sub-blocks of 1 metre by 5 metres by 1 metre. Block volumes were converted to tonnages using *in situ* bulk relative densities of 1.8 for oxide, 2.3 for transitional and 2.8 for fresh. Nine different lodes were recognised. No distinction was drawn between the oxide, transitional and fresh materials in interpolating grades. Different upper cuts were used for the different lodes. Resources were reported at lower cut-offs of 0.5 g/t, 1.0 g/t and 4.0 g/t gold.

Estimated resources were not categorized at all and thus were not assigned to any of the classes recognised by the JORC Code. Because of this non-categorisation, this resource estimate, however competently it may have been carried out, is not JORC Code compliant even though an individual was named as the Competent Person in accordance with the JORC Code. In view of this situation, these resources are not presented here but are further reviewed in the next section of this Report.

In addition to the above activity, some limited additional exploration was carried out which included RAB drilling over the Rabbit Well Prospect situated near the eastern margin of the present project area. Here a north-northwesterly trending mafic succession with banded iron formation units hosts siliceous sulphidic chert with vuggy quartz veining and sulphides. Some of the better drill intersections from this broadly spaced programme included 7 metres at 11.5 g/t silver and 550 ppm lead from 36 metres and in another drillhole 1.2 g/t gold over one metre from 26 metres. The anomalous area was reported to have a strike length of over 1000 metres and to be open for further testing in several directions.

By mid 2001 the tenement area covering the Horse Well Project was relinquished and was subsequently applied for another party. Since that time the area of the current Horse Well Project has had application status and no field activities have taken place.

## Palomino Gold Deposit Resource Estimation by Alloy Resources Limited 2005

In the course of the preparation of this report, the 2000 resource estimation procedure covering the Palomino gold deposit was examined in some detail in an attempt to assess its credibility. From this study, a number of points of reservation resulted: some were from lack of information in the available records but others were of a more fundamental nature. The main points at issue were as follows:

- a high proportion of the contained gold was concentrated in only a few lodes making these fundamental in determining the overall resource magnitude and grade
- differing sample volumes were treated as equivalent
- no data were presented on recoveries or possible contamination
- three different laboratories using two different analytical techniques were used for routine samples but no comparisons were carried out
- blank, standard and duplicate samples were submitted to the laboratories but no analysis of the results seems to have been carried out
- maps and sections were not presented
- variography was poor to fair
- no *in situ* bulk relative density determinations were carried out
- oxide, transition and fresh materials should have been grade interpolated individually due to possible differing controls on mineralisation
- the upper cuts applied to each lode bear no obvious relationship to the population statistics of the lode
- blocks were extrapolated well below the deepest parts of the bulk of the drilling
- the inverse distance cubed algorithm would probably have been better than inverse distance squared in view of the poddy nature of the deposit
- no quality control checks were done on the analyses and the database was not fully validated
- surface and down hole survey data are suspect where nominal as opposed to surveyed data are used.
- a resource at the highest of the lower cut-offs of 4.0 g/t gold would be suspect in view of the poddy nature of the deposit

Although none of the above issues were considered to be fatal to the resource estimate, sufficient points of uncertainty existed so that the judgement could not be made that the resource was JORC Code compliant even though it had not been overtly stated to be such. In view of this, the resource was re-estimated by Mackay & Schnellmann Pty Limited for the purposes of this Independent Geologist's Report.

The current resource was estimated using a computer based method. The majority of the drillhole data available covers the interval from surface to a depth of about 100 metres. The lodes were interpreted using a three metre down hole minimum width and the steep dipping structure attributed to the Palomino deposit. The mineralisation was not projected beyond any limiting below cut-off grade drillholes and where no such drillholes existed the lodes were projected for 25 metres down dip and 12.5 metres along strike. Block size was 15 metres by 5 metres by 2.5 metres. Block volumes were converted to tonnes using assumed in situ bulk relative densities of 1.8 for oxide, 2.3 for transitional and 2.8 for fresh material. The inverse distance cubed algorithm was used for the interpolation of grade. The initial search ellipse was 25 metres by 25 metres by 50 metres with a second pass within 105 metres of the surface where drillhole density is greatest using a search ellipse of 12.5 metres by 12.5 metres by 25 metres. An upper cut of 10.7 g/t gold was applied based on the mean plus two standard deviations of all the intersections greater than 1 g/t gold.

At a lower cut-off of 1.0 g/t gold and applying an upper cut of 10.7 g/t, a JORC CODE compliant resource at Palomino is estimated to be as follows:

| | |
|---|---|
| Indicated Oxide Mineral Resource | 153 000 tonnes at 2.7 g/t gold |
| Indicated Transitional Mineral Resource | 147 000 tonnes at 2.9 g/t gold |
| Indicated Fresh Mineral Resource | 307 000 tonnes at 2.7 g/t gold |
| Total Indicated Mineral Resource | 607 000 tonnes at 2.7 g/t gold |

The tonnages have been rounded to the nearest 1000 and grades rounded to one decimal place.

The above resource is appreciably less than that resulting from the resource estimation of 2000. The difference is due to the greater extrapolation below and along strike from the drilling data that was employed in the earlier estimation procedure and the adoption of a lower cut-off of 1.0 g/t gold and applying an upper cut of 10.7 g/t.

## Prospectivity

Modern gold exploration began at the Horse Well Project area in the early 1990s. Prior to this time, gold exploration of the terrain within the project area had been of a cursory nature and limited to brief reconnaissance surveys.

Following the discovery in the mid 1990s of major gold deposits in the Yandal Greenstone Belt to the south of the present project area, Horse Well has been continuously held for the majority of the period as part of a larger tenement holding which has changed ownership on several occasions during the period. Progress in advancing the area covered by the present Horse Well Project has been gained by successive RAB and RC drilling programmes which have demonstrated the area's prospectivity by outlining a moderately sized gold deposit at Palomino and locating several other less well defined gold prospects mainly associated with silicified auriferous shear zones in structurally controlled environments. There is also evidence of gold anomalism related to internal granitoid intrusion contact zones and gold-silver-lead mineralisation associated with an exhalative horizon in eastern parts of the project area.

A recent JORC CODE compliant resource estimate has been prepared for the mineralisation present at the Palomino deposit applying a 1 g/t gold cut-off and an upper cut of 10.7 g/t for the following estimate:

| | |
|---|---|
| Indicated Oxide Mineral Resource | 153 000 tonnes at 2.7 g/t gold |
| Indicated Transitional Mineral Resource | 147 000 tonnes at 2.9 g/t gold |
| Indicated Fresh Mineral Resource | 307 000 tonnes at 2.7 g/t gold |
| Total Indicated Mineral Resource | 607 000 tonnes at 2.7 g/t gold |

The drillhole spacing is not yet adequate for the resource estimate prepared to date to be regarded as definitive. There is a need to improve drillhole density in the upper levels of the mineralisation to provide a more assured category for these resources. Further exploration at Palomino is also warranted to investigate the mineralisation present both along strike and at depth, particularly related to plunging shoots within the *en echelon* shear system.

Future exploration beyond the Palomino deposit is wholly justified over several known prospects which so far have not been evaluated comprehensively, particularly from the viewpoint of the structural orientation of the mineralisation present. Further examination of the existing database should also be conducted in order to identify new areas for exploration within the project area which have so far received little attention or where previous work was shown to be ineffective owing to transported overburden. In this regard, it is recommended that the existing aeromagnetic data should be reinterpreted and augmented where necessary in order to define untested concealed structural targets.

### Proposed Exploration

The proposed exploration programme by ARL is to concentrate on drilling out the near surface gold resources at Palomino and nearby advanced prospects as a precursor to future scoping studies.

This programme will include a comprehensive review of the existing database followed by drilling which will include RC as well as core drilling for metallurgical testwork and geotechnical purposes.

Drilling is planned to test for additional mineralisation associated with exploration targets identified within the tenement with the aim of increasing potential gold resources. ARL plan to re-process airborne magnetic data and conduct ground geophysical surveys using gravity and electrical methods, including sub-audio magnetic techniques, better to define sub-surface shear zones.

The estimated cost of these exploration activities for the first year is $405 000 with $383 000 in the second year giving a total of $788 000 over two years.

## 88 Creek Project

### Location and Access

The 88 Creek Project is located in the northeastern part of the Kimberley Region some 160 kilometres northwest of the town of Kununurra. Access by road from Kununurra is restricted to four wheel drive vehicle via the unsealed Gibb River to Kalumburu road as far as Carson River then eastwards via an unsealed exploration road to an exploration camp site at Ashmore. Total distance is around 700 kilometres. Local access thereafter is confined to exploration tracks maintained on an as needed basis.

Owing to rough terrain, much of the area is only readily accessible by air. Geebung unsealed airstrip is situated 10 kilometres northeast of the Ashmore exploration camp and a second unsealed airstrip and helicopter landing facility are located at the exploration camp itself. These landing facilities are used for ferrying supplies and personnel from Kununurra, Perth and Darwin. Heavy or large items of equipment may be brought to the area by barge from Darwin via Kalumburu and then transported by road. Helicopters are often used in the area for the collection of exploration samples.

The Kimberley Region has a subtropical climate with a dry season from April to November and a hot, wet season from December to March. Owing to the difficult conditions during the wet season, exploration fieldwork is conducted in the dry season.

Land use is largely restricted to cattle raising and there is little permanent infrastructure.

All requirements for exploration must be brought in to the project area.

The project area covers dissected portions of the Kurunjie Plateau where less resistant rock units have eroded to form broad valleys and elevated areas are capped by sandstone to form plateaux and mesas with relief from 100 to 400 metres. Escarpments typically separate plateaux from valleys and are up to 80 metres high. Over areas of basaltic bedrock, landforms have a distinctive rounded hill and small mesa appearance.

The Kurunjie Plateau has been affected by three cycles of planation: the oldest dates back to the Cretaceous when the sea level was high. A further two planation surfaces have been identified from the early and late Tertiary. In some areas, the higher land surfaces retain their palaeo soils.

Major drainages are associated with broad areas of sandy alluvium, are incised and are interpreted to be superimposed after initially developing on an earlier plateau surface. Minor streams display either dendritic or subsequent patterns controlled by the nature and structure of the bedrock. Except in areas of topographic contrast, minor drainages are poorly developed.

### Tenements

The project comprises two contiguous areas covered by Exploration Licence 80/2504 and Exploration Licence 80/2753. In total the tenements cover 97 blocks or some 320 square kilometres in the Kimberley Mineral Field.

### Geology

The 88 Creek Project area occupies a portion of the northeastern Kimberley Basin. Within this area, Palaeoproterozoic formations that crop out belong to the Kimberley Group. These comprise the King Leopold Sandstone, basaltic volcanics and intercalated sediments related to the Carson Volcanics and the overlying Warton Sandstone formation.

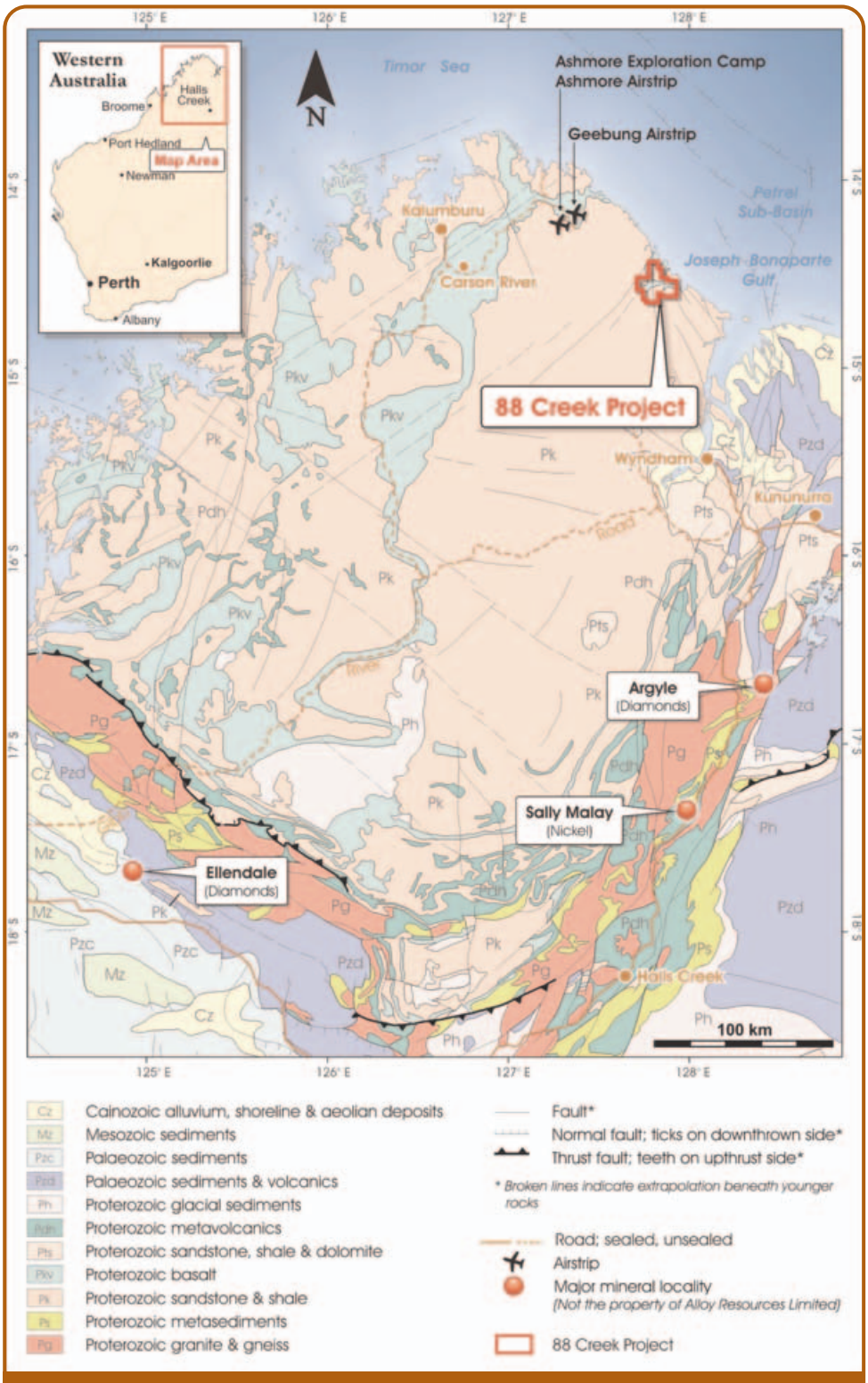


**FIGURE 14. Geology of the Kimberley Region**

Based on exposed structural features, the area consists of two distinct zones separated by the northerly trending De Lancourt Fault structure that is traceable for over 60 kilometres. The western zone is affected by west and northwesterly trending and northeasterly trending fold axes that form broad domal and basinal features. This zone is also affected by northeasterly and east-southeasterly trending faulting. The eastern zone by contrast is highly faulted about a strong north-northwesterly trend but northerly and northeasterly fault directions are also present creating small fault-bound horsts and grabens. The age of this faulting is unknown but the lack of erosion subsequent to faulting suggests it is relatively young possibly related to downwarping associated with the formation of the Phanerozoic Joseph Bonaparte Gulf Basin.

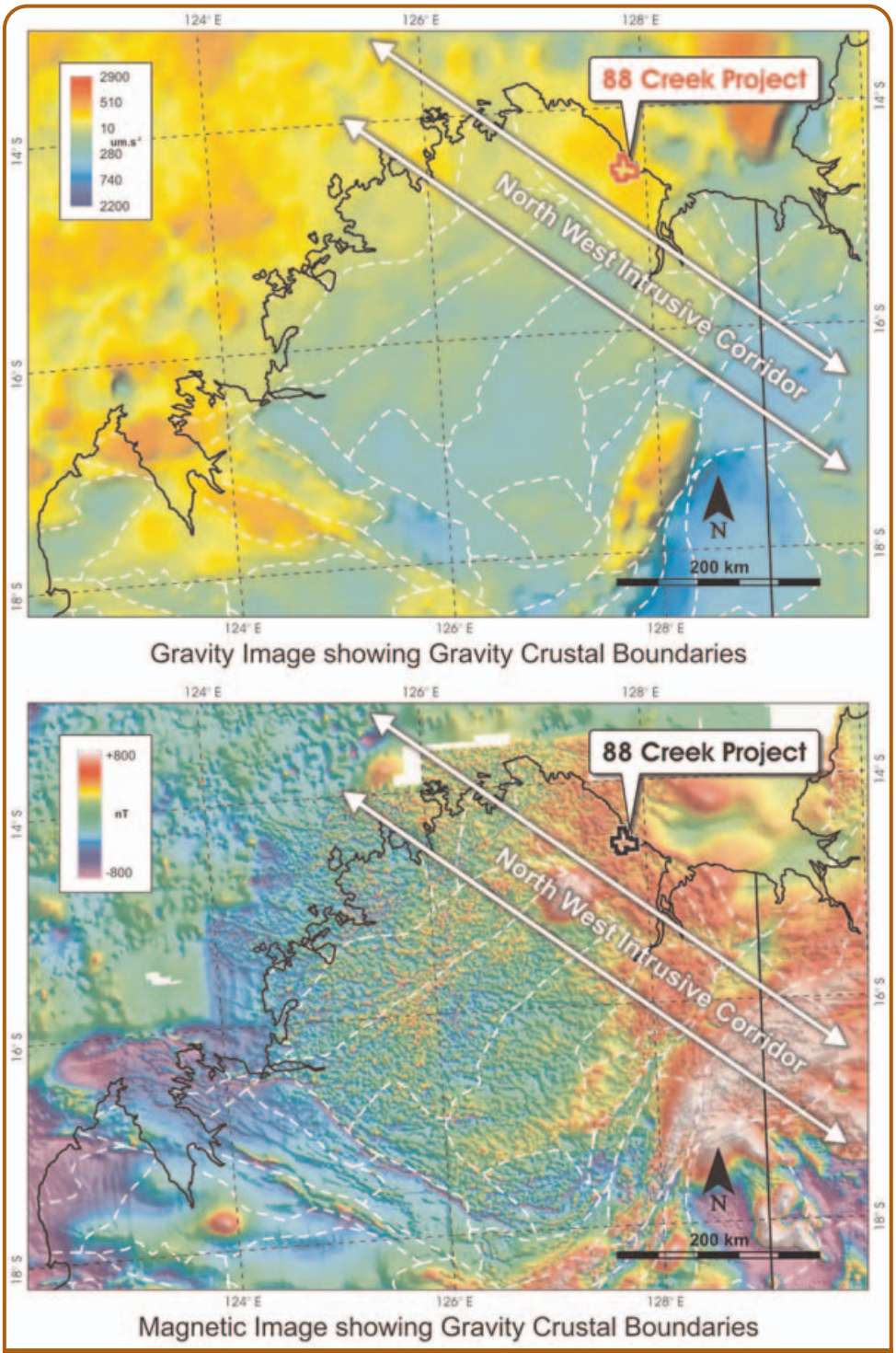


**FIGURE 15. Kimberley Region – Gravity and Magnetic Images**

Published regional aeromagnetic data show prominent northwesterly and northeasterly linears running through the project area. These data also show that some 80 kilometres to the southwest, a 40 kilometre wide circular magnetic anomaly is present. This feature is believed to be related to a buried source that may represent a large magnetic granitoid intrusive of unknown age. Such an interpreted intrusive event, if it occurred after the depositional phases in the Palaeoproterozoic, is likely to have produced doming and fracturing of overlying sediments and may represent evidence of a regional thermal event which provided a heat source and mechanism for the introduction of mineralised hydrothermal fluids into the overlying fractured sedimentary pile. This scenario would not be a possibility if the magnetic anomaly were related to an Archaean intrusive event in basement underlying the Kimberley Basin.

Of further interest is the increase in the gravity field along the northeastern margin of the Kimberley Basin as shown on published gravity maps. This is interpreted to represent a thinning of the crust under the Joseph Bonaparte Gulf as a result of Devonian-Carboniferous rifting.

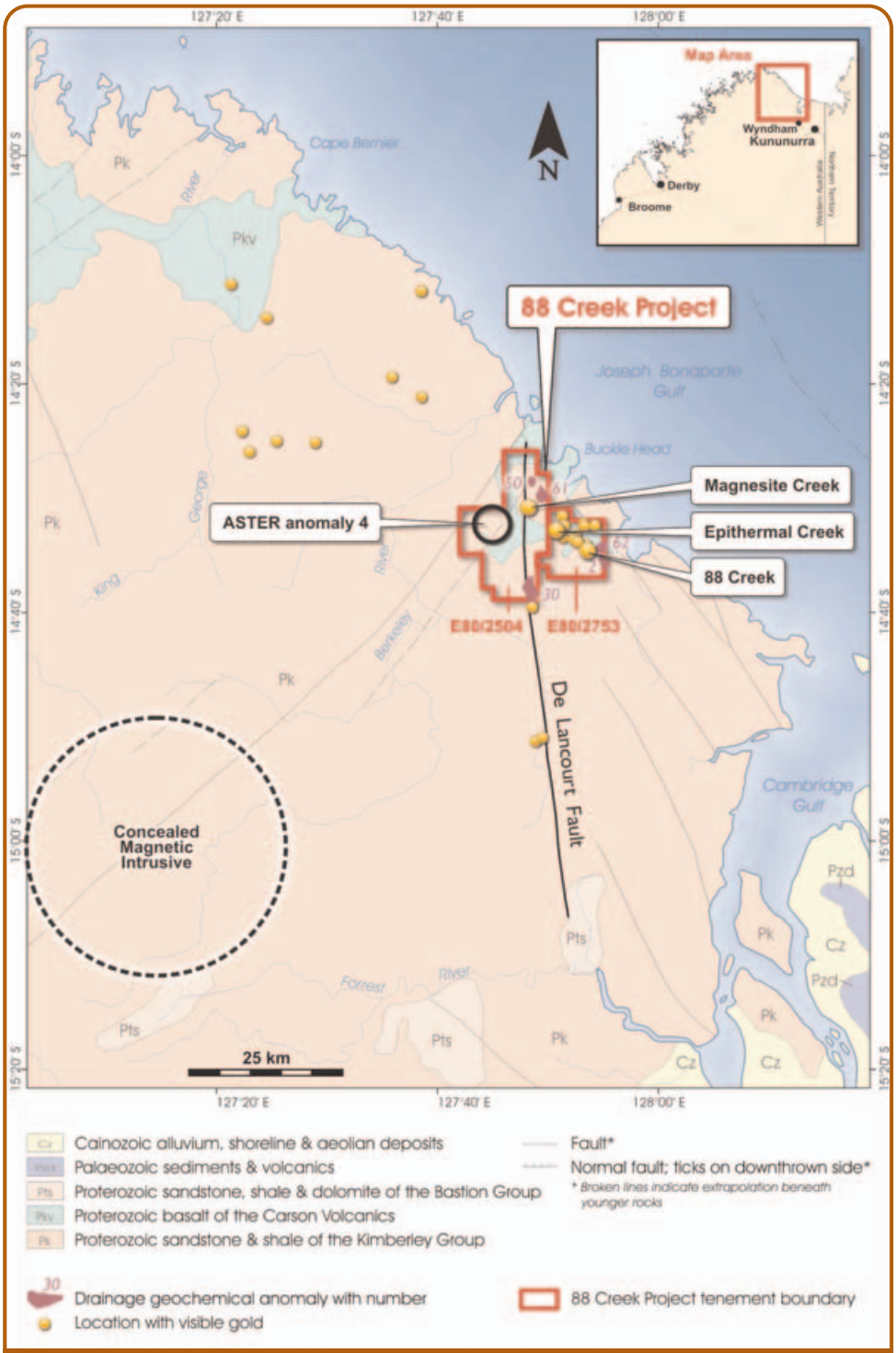


**FIGURE 16. 88 Creek Project – Regional Geology, Drainage and ASTER Anomalies**

On current evidence, the only well documented volcanic event within the project area following the major Palaeoproterozoic Carson Volcanics basaltic phase is the intrusion of small kimberlite dykes and sills in the Neoproterozoic. These intrusions are often linked to migrating hot spot activity in the mantle and offer evidence of deep seated volcanic activity. Also relevant in this context is a recent interpretation that the conjugate set of linear magnetic anomalies orientated northeast and northwest which cross the area are linked to dolerite dykes intruded along extensional fractures developed as a result of basement extension during Devonian-Carboniferous rifting of the Joseph Bonaparte Gulf or late Jurassic-Cretaceous rifting. Combined, these volcanic events reflect underlying tectonism and hot spot activity over an extended period of geological time.

## Mineralisation

Primary gold mineralisation has recently been discovered on the project area and is regionally linked to interacting fault structures over parts of the De Lancourt Fault and faulted areas to the east. The hosts for the mineralisation are sandstone formations in the Palaeoproterozoic Kimberley Group.

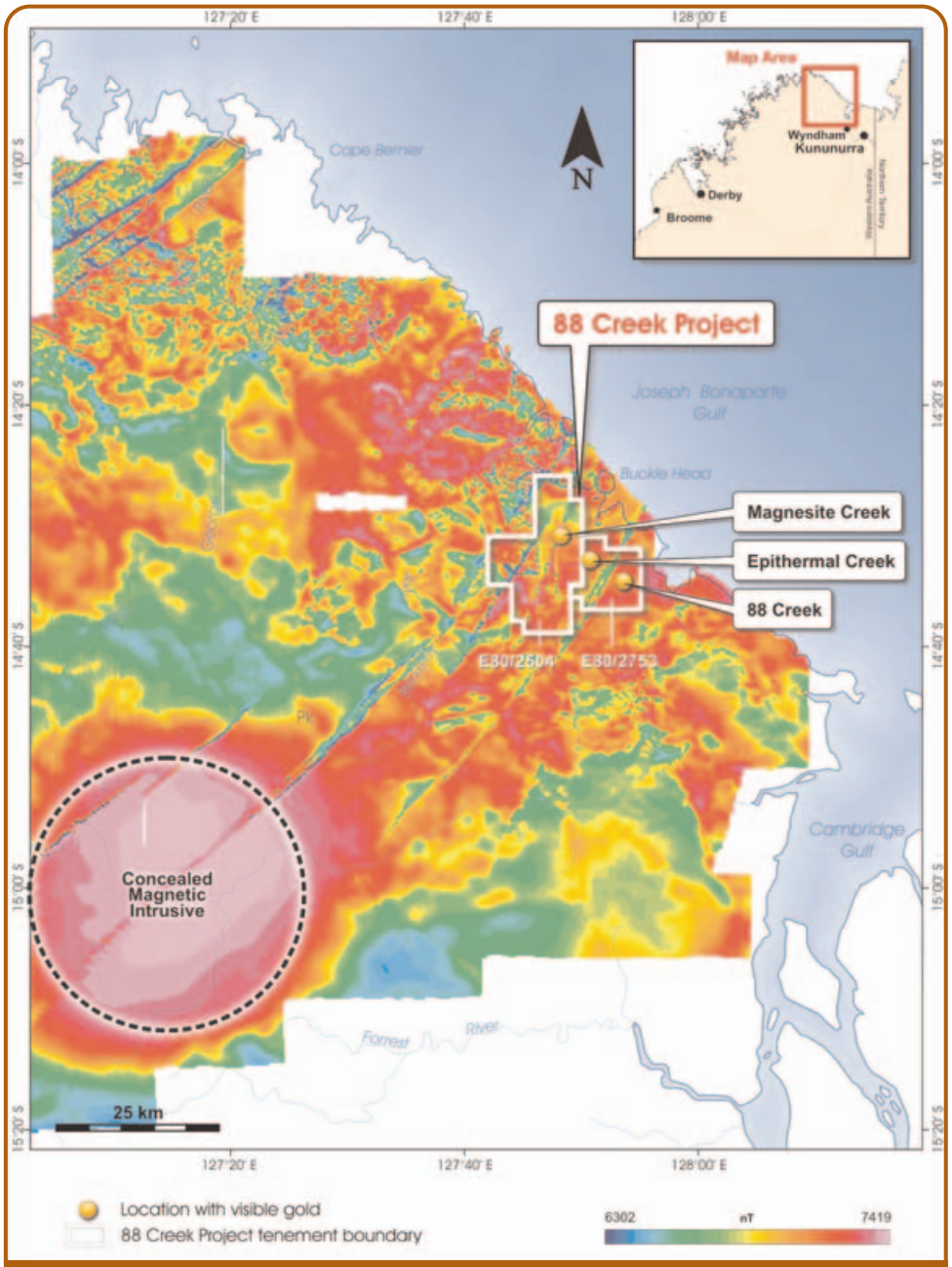


**FIGURE 17. 88 Creek Project – Regional Total Magnetic Intensity Imagery**

## Previous Exploration

### Exploration from 2001 to Date

Initial leads to the presence of gold arose from the recovery of detrital gold from several locations both within and outside the project area as a consequence of routine observation of >0.3 mm to <0.5 mm size fraction of heavy mineral concentrates derived from the processing of reconnaissance diamond exploration samples each weighing 40 kilogrammes. Subsequently, the coarser size fraction >0.5 mm to <1.0 mm of heavy mineral concentrates were observed for particulate gold.

The size of the gold particles recovered ranged from 0.4 mm to 1 mm. The number of gold particles recovered from the >0.3 mm to <0.5 mm size fraction ranged from 1 gold grain up to 88 grains. The latter represented the most significant initial result from the 88 Creek Project area covering in particular the 88 Creek Prospect and provided the impetus for subsequent gold exploration.

Examination of these grains was undertaken using optical and scanning electron microscopes in order to determine semi-quantitatively the silver content of the gold grains and the chemical composition of their mineral inclusions. These studies found that most grains showed evidence of some mechanical transport and chemical corrosion although a proximal source was interpreted for three localities including the 88 Creek, Magnesite Creek and Epithermal Creek Prospects.

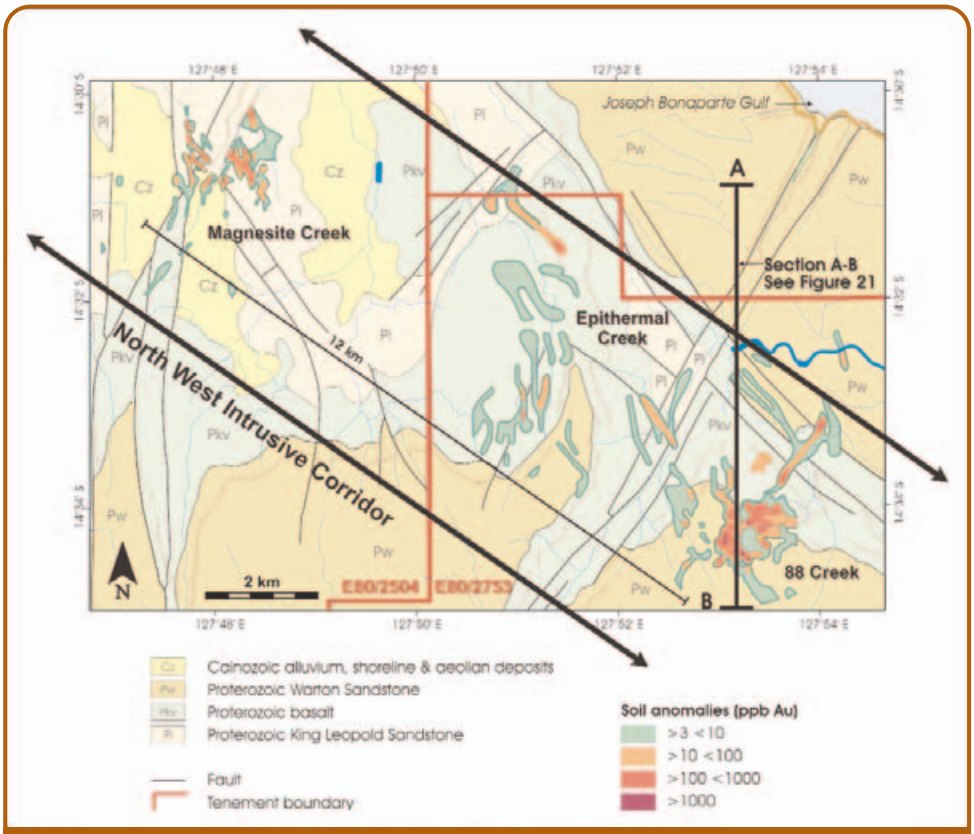


**FIGURE 18. 88 Creek Project – 88 Creek, Magnesite Creek and Epithermal Creek Prospects – <200 Micrometres Soil Gold Anomalies**

Those gold grains which showed little mechanical damage were found to be associated with quartz, calcite and aluminium silicates that can be primary vein materials. Silver contents of the gold grains ranged from below detection up to 10% silver. Most grains were irregular and xenomorphic, characteristics generally associated with primary gold.

Multi-spectral imagery designed to map the distribution of clay minerals as a means of targeting the surface manifestation of various styles of mineralisation including hydrothermal alteration possibly linked to gold mineralisation was also available from the diamond exploration database. This imagery covered parts of the 88 Creek Project area and ground to the northeast. These data were interpreted and demonstrated a spatial link between the detrital gold occurrences in specific areas and more broadly a regional zone of argillic alteration. Significant centres of pyrophyllite alteration proximal to detrital gold occurrence were observed within Exploration Licence 80/2753 and 80/2504 covering the 88 Creek, Magnesite Creek and Epithermal Creek Prospects.

Following the initial detrital gold discoveries and the appreciation of the exploration possibilities for primary gold interpreted from the regional zone of argillic alteration, a helicopter assisted field reconnaissance and sampling programme was initiated in early 2002.

This programme was designed to confirm the presence of gold and argillic alteration, gain knowledge of the structural and geological setting and define the extent of gold anomalism through successive soil geochemical and rock sampling programmes.

Efforts were concentrated within a 12 kilometre by 5 kilometre zone covering the 88 Creek, Epithermal Creek and Magnesite Creek Prospects but also included reconnaissance assessments of several outlying prospects. In all, the programme resulted in the collection of 2785 soil samples and 267 rock samples and led to the definition of two main areas of gold anomalism at 88 Creek and Magnesite Creek.

In mid 2002, a detailed airborne magnetic, radiometric and digital elevation survey was conducted over the main prospects in the 88 Creek area. This survey was carried out at a nominal line spacing of 100 metres in a north-south direction and using a sensor height of 25 metres. Outputs included total magnetic intensity, radiometric total count and digital elevation model imagery.

The results from the survey confirmed the importance of the fracture patterns observed at surface, particularly faults orientated north, northwest and northeast. The radiometric data identified potassic anomalism related to the Carson Volcanics.

A reconnaissance ground gravimetric survey was completed over part of the Magnesite Creek Prospect comprising two traverses for a total of 846 metres. Stations were nominally 10 metres apart. The results proved inconclusive and it was suspected that the high relief within the surveyed area may have affected the data acquired despite application of the normal corrections.

Towards the end of the 2002 field season, survey work had elevated the 88 Creek and Magnesite Creek Prospects to first pass drilling status. The two prospects were subsequently investigated by RC drilling for a total of 4753 metres over 65 drillholes.

During the 2003 field season, a farm in partner continued exploration over the 88 Creek Project and surrounding areas. The focus of this work was to validate the existing database and follow up some of the previously identified stream geochemical anomalies.

Within the 88 Creek Project area this work entailed rock, soil and stream sediment geochemistry. In all 282 rock, 51 stream sediment and 1131 soil samples were collected over the 88 Creek Project area. Overall the results validated data obtained from earlier programmes but because of the limited scope of the exploration, failed materially to advance knowledge on gold distribution. However, some interesting advances came from the rock chip geochemical sampling programme. These included detection of an arsenic-lead-tellurium-gold geochemical association linked to conjugate ferruginous joint sets following northwesterly and northeasterly directions at the Magnesite Creek Prospect. Similar trend directions were observed for the soil gold anomalies at the Magnesite Creek, Epithermal Creek and 88 Creek Prospects. At 88 Creek Prospect, anomalous arsenic values were observed to follow a northwesterly trend following structures which postdate and offset pyrophyllite-dickite alteration interpreted from spectral imagey.

Further work was undertaken at 88 Creek and Magnesite Creek Prospects with the aim of better understanding the relationship between gold mineralisation and pyrophyllite-dickite-illite alteration assemblages interpreted from airborne multi-spectral imagery. This took the form of carrying out ground truthing work which included the direct measurement of bedrock spectral responses. In general this exercise showed that ground data correlated well with the airborne hyperspectral mapping information but it proved difficult to establish a clear relationship between gold occurrence and any particular spectral response. Other observations included the interpretation that the mineralogy of the alteration zones was consistent with low temperature fluid movement, that where present alteration was confined to the sandstones of the King Leopold and Warton formations and the Carson Volcanics interlayer sandstone units. Further, that the alteration was generally stratabound but that the zonation in the alteration zones may possibly be explained by a concealed intrusive body. In addition, there was evidence of structural dislocation post dating the alteration zones. Importantly, however, the study was unable to resolve the relationship between the alteration assemblages and known gold mineralisation or the age or style of the mineralisation present.

### 88 Creek Prospect

Effective exploration in delineating areas of geochemical gold anomalism was advanced by a soil geochemical survey covering some 5 square kilometres of variably altered sandstones and mafic volcanics surrounding the drainage sample from which 88 particles of detrital gold were recovered in late 2001.

Following orientation surveys, soil samples screened at 200 micrometres were collected at 100 metre centres. Samples were analysed for gold, copper, lead, zinc, platinum, palladium, iron, magnesium, nickel, silver, arsenic, antimony, selenium, tellurium, thallium, uranium and tungsten.

The results defined two significant areas of gold anomalism in residual soils astride a north-south fault zone that were designated the Western and Eastern Anomalies. These anomalies broadly form an arc surrounding an area of pyrophyllite clay alteration to the southeast of the prospect that returned low level or barren gold values in soils.

The Western Anomaly as defined by the greater than 25 ppb gold contour is approximately 1.5 kilometres long and ranges from 100 to 300 metres in width. Within this soil anomaly, a 750 metre zone of elevated values above 1 g/t gold occurs that includes spot highs of 16 and 10.5 g/t gold obtained from orientation samples screened at >200 and <500 micrometres. The Eastern Anomaly lies approximately 250 metres east of the Western Anomaly and covers an area some 900 metres long and ranges from 150 to 500 metres in width based on the greater than 25 ppb gold contour.

The pattern of elevated gold geochemical values in soils showed a spatial distribution suggestive of an intersecting northerly, northeasterly and northwesterly pattern mirroring prominent fault directions in the area underlain by Palaeoproterozoic Warton Sandstone, Carson Volcanics and King Leopold Sandstone.

Zones of geochemically anomalous gold values in soils above 25 ppb gold did not generally show a positive correlation with base metal or pathfinder elements although an anomalous thallium and uranium association extends into parts of the strongest gold anomalies. There is also evidence that isolated arsenic, uranium and tungsten anomalies reflect potentially gold mineralised zones. Areas distal to the main gold anomalies contain elevated copper, lead, zinc and arsenic trends which are interpreted to reflect underlying Carson Volcanics.

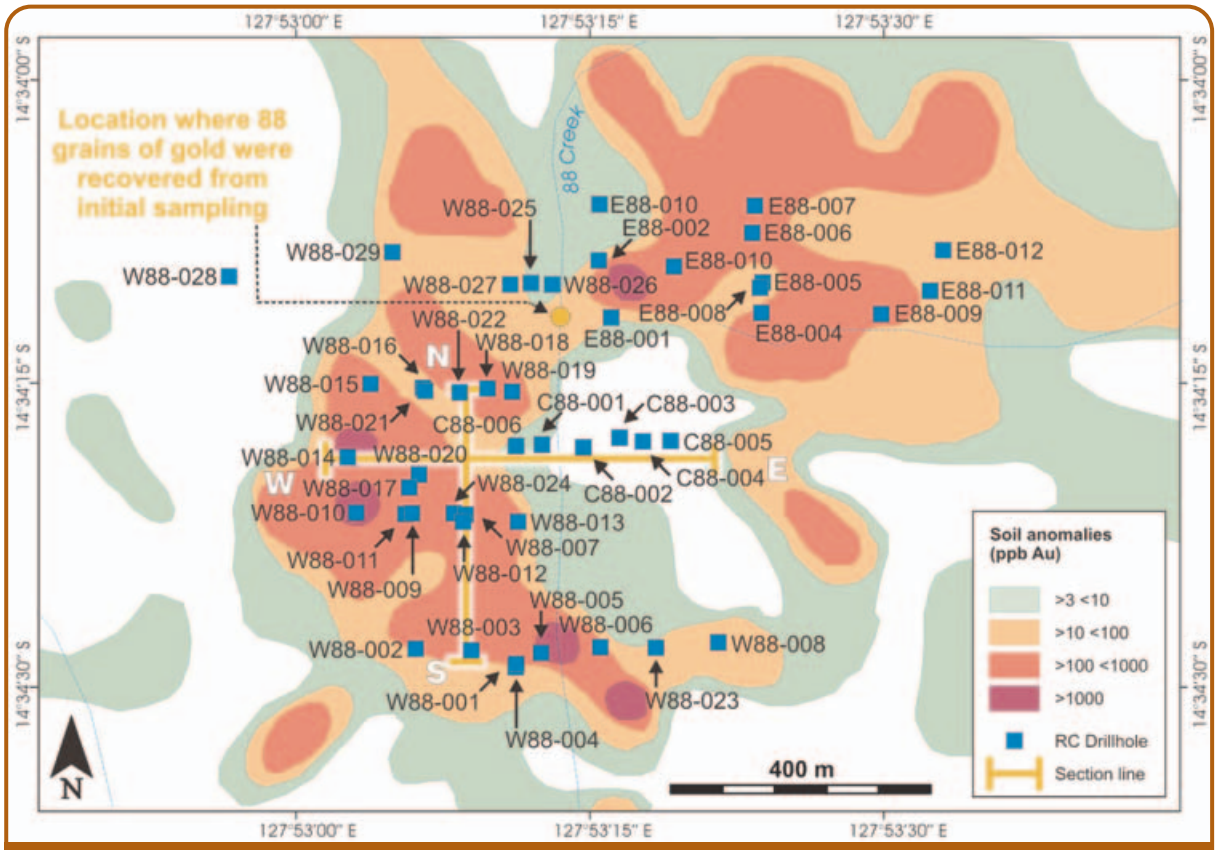


**FIGURE 19. 88 Creek Prospect – Soil Gold Anomalies and Drillholes**

In addition, as part of the geochemical programme, stream sediment samples were obtained from drainage channel sediments where soil sampling was inappropriate. These samples were generally analysed for a suite of elements similar to those of the soil samples.

A relatively small number of rock samples were collected initially which returned generally low values up to 14 ppm copper, 37 ppm lead, and 126 ppm zinc with no gold values being above the detection limit. Similar reconnaissance rock sampling conducted some two kilometres west of 88 Creek Prospect returned values up to 83 ppm copper, 81 ppm lead, 340 ppm zinc and 36 ppb gold. Later validation rock chip sampling in 2003 returned gold values up to a maximum of 91 ppb.

The initial RC drilling programme comprised 48 holes for 3483 metres and was designed to test the soil geochemical gold anomalies over areas perceived to have structural significance: therefore a pattern drillhole layout was not adopted. The greater part of the drilling was concentrated within an area of 0.65 square kilometres. Holes were drilled vertically or inclined at 50° or 60° in a westerly, northerly, easterly or southerly direction. Holes tested the underlying succession to maximum depths of 100 metres but generally investigated the near surface environment to vertical depths of about 50 metres.

RC drill samples were taken over 1 metre intervals and analysed. A sub-sample was treated with a cyanide solution following which gold was determined by ICPM Spectrometry. This analytical approach may have underestimated the total gold content of the rock if refractory gold is present below the base of oxidation.

Drilling investigated a sub-horizontal succession of Warton Sandstone and Carson Volcanics although subtle domal structures have been interpreted locally. From surface, up to 50 metres of altered sandstone overlies up to 30 metres of basalt that in turn overlies a lower 30 metre thick altered sandstone unit. Below this level, drilling intersected a lower basalt unit but there are insufficient data to establish its persistence.

Gold values returned from the drilling ranged up to 1.4 g/t over a 1 metre interval within sub-horizontal zones of geochemically anomalous gold defined by the plus 5 ppb contour. Overall, the most elevated gold values occur in the top 10 to 25 metres of the upper sandstone unit associated with the periphery of phyllosilicate alteration within a micro-veined sandstone host containing disseminated pyrite.

Below this near surface zone of elevated gold values there is generally gold anomalism up to 99 ppb at the interface between the base of the upper sandstone unit and the top of the upper basalt unit.

At greater depths, drill intersections are limited but indicate that both the upper and lower basalt units are generally barren of gold where tested and that the lower sandstone unit although generally returning no gold values did yield a sporadic high of 1 g/t gold over a 1 metre interval. There is also limited evidence to indicate gold anomalism up to 8 ppb at the interface of the lower sandstone unit with the lower basalt unit.

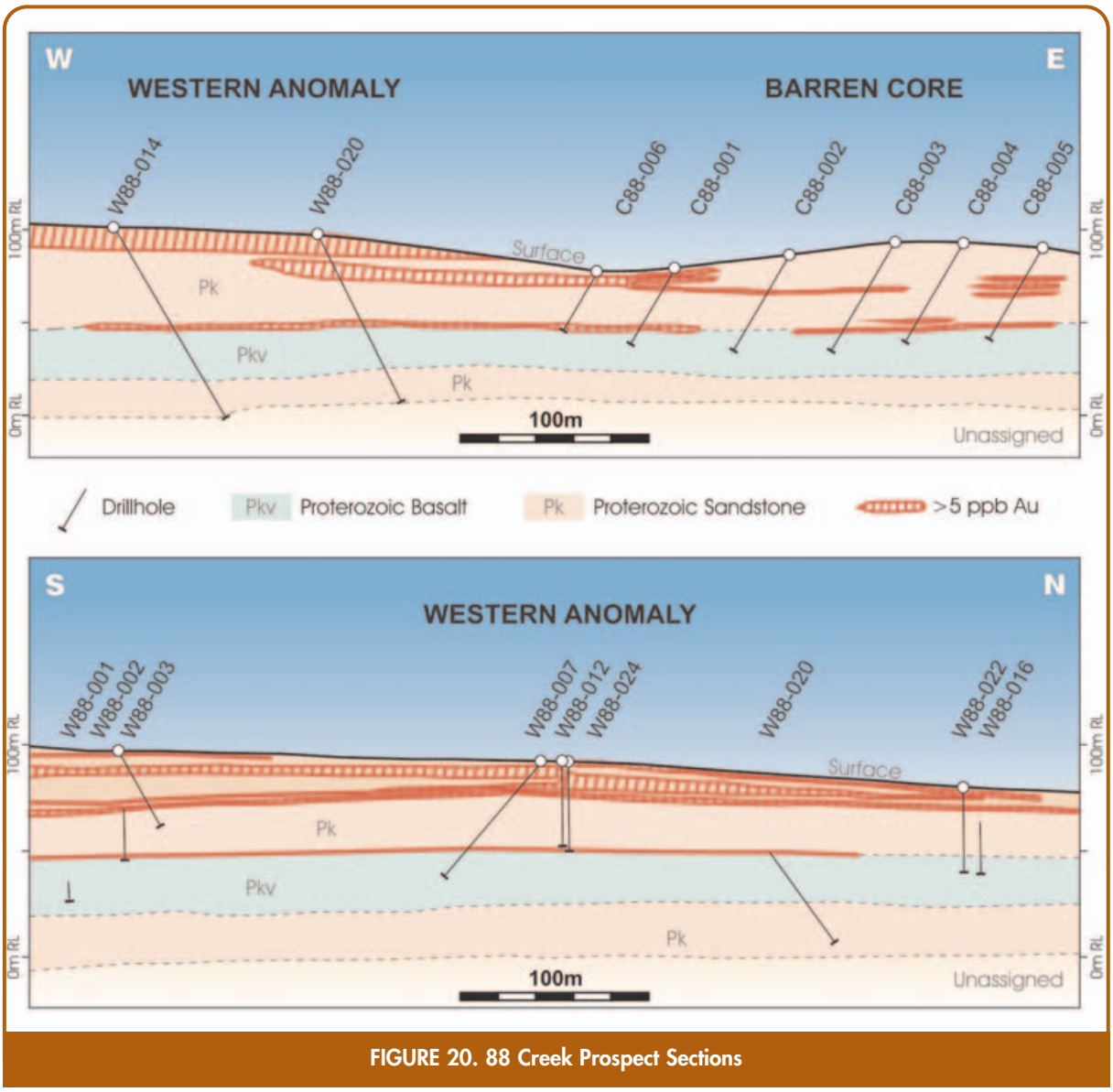


FIGURE 20. 88 Creek Prospect Sections

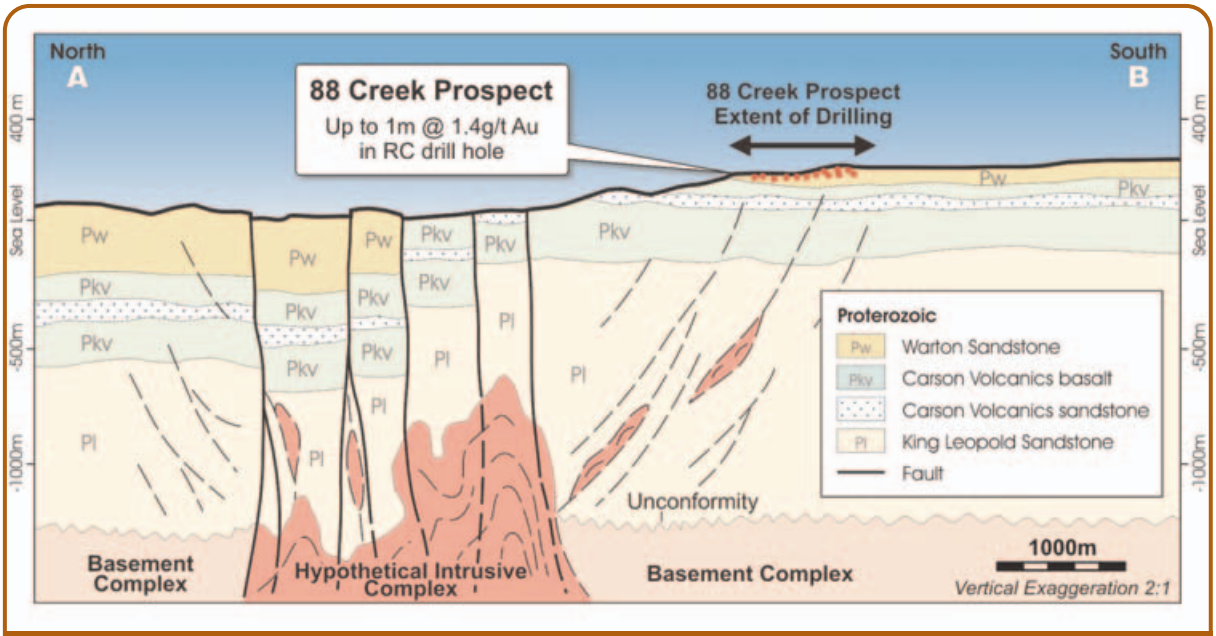


FIGURE 21. 88 Creek Prospect – Conceptual Gold Exploration Model

The more elevated results from the drilling programme are given in Table 5.

Table 5 – Elevated Gold Results from RC Drillholes at the 88 Creek Prospect

| Drillhole | Easting | Northing | Declination/ Azimuth | Intercept From | To | Length | Au |
|---|---|---|---|---|---|---|---|
| E88-005 | 380419 | 8388988 | 60°/180° | 2 | 3 | 1 | 0.69 |
| E88-006 | 380406 | 8389071 | 60°/180° | 71 | 72 | 1 | 1.05 |
| W88-007 | 379963 | 8388631 | 50°/180° | 7 | 8 | 1 | 1.39 |
| W88-012 | 379966 | 8388641 | 50°/090° | 7 | 8 | 1 | 0.62 |
| W88-012 | 379966 | 8388641 | 50°/090° | 20 | 21 | 1 | 0.66 |
| W88-016 | 379905 | 8388836 | 60°/090° | 0 | 1 | 1 | 0.58 |
| W88-018 | 380003 | 8388833 | 60°/090° | 6 | 7 | 1 | 0.61 |
| W88-020 | 379897 | 8388704 | 50°/035° | 20 | 21 | 1 | 0.64 |

*Note: Coordinates are in Australian Geodetic Datum 1984.*
*Lengths are in metres.*
*Gold contents are in ppm.*

Following the results of the drilling programme, further geochemical surveying was carried out in 2003. This work was designed to provide more information on the optimum soil sampling medium and methodology to be deployed in future work and to validate earlier results. This work confirmed that earlier survey work was valid both in terms of anomalous gold values and sampling methodology.

### Magnesite Creek Prospect

Soil geochemical surveys following the methodology adopted at 88 Creek Prospect defined three coherent anomalies referred to as the Western, Central and Northeastern Anomalies. These anomalies are situated some 12 kilometres northwest of 88 Creek Prospect in an area of flat lying sandstone terrain featuring intersecting northwest, north and northeast fault structures. North trending intensively silicified breccia veining is a feature of the area. This veining is interpreted to be fractured by northwesterly trending structures containing narrower ferruginous quartz breccias.

The soil anomalies are defined by the greater than 10 ppb gold contour in areas where thin ferruginous gossans occur in sandstone.

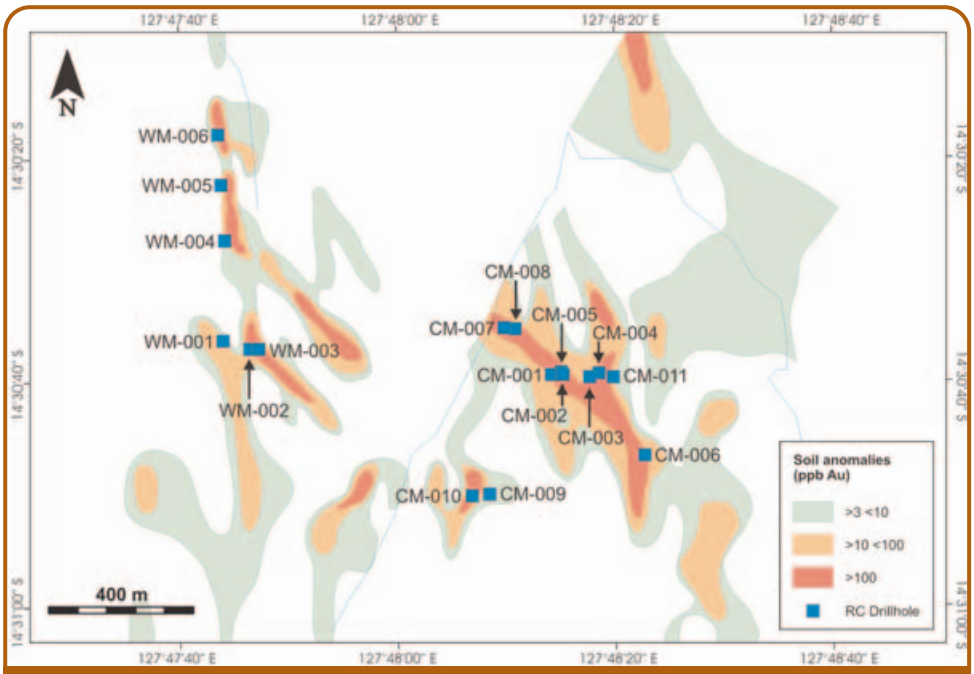


**FIGURE 22. 88 Creek Project – Magnesite Creek Prospect – Soil Gold Anomalies and Drillholes**

The Western Anomaly is 1300 metres in length and some 100 metres wide and spatially associated with argillically altered sandstones and part of a major northerly trending fault controlled siliceous breccia traceable for over 6 kilometres. Elevated gold values above 500 ppb in soils are a feature of the Western Anomaly that appears to be structurally and geochemically distinct from the other nearby soil anomalies.

The Central and Northeastern Anomalies are over intersecting northwesterly and northerly trending fault structures in argillic altered sedimentary rocks. The Central Anomaly, as defined by the greater than 10 ppb gold contour, covers an area of some 650 metres by 400 metres and includes gold values in the plus 190 ppb range. This anomaly also hosts a north trending subcropping gossanous zone with geochemically elevated copper-lead-zinc-gold values. The Northeastern Anomaly as defined by the greater than 10 ppb gold contour is approximately 350 metres in length and lies some 500 metres north of the Central Anomaly.

Some thirty rock samples collected within the area covered by the soil sampling programme returned anomalous values of up to 185 ppm copper, 1030 ppm lead, 470 ppm zinc and 114 ppb gold. Reconnaissance rock sampling some 4 kilometres southwest of the prospect in Carson Volcanics returned values up to 213 ppm copper and 78 ppm zinc.

Reconnaissance drill testing of the Western and Central Anomalies at Magnesite Creek took place towards the end of the 2002 field season and followed the methodology adopted in the drilling of the 88 Creek Prospect.

In all, 17 inclined RC holes for a total of 1270 metres were completed with inclined hole depths ranging from 30 to 131 metres for an average depth of 75 metres. Drill testing was limited to the most significant soil anomalies and designed to explore for potentially mineralised structures following northerly and northwesterly trending directions.

Over the Western Anomaly, drilling established geochemically anomalous gold values in the near surface environment of up to 51 ppb over 1 metre in silicified King Leopold Sandstone. At the Central Anomaly, the best drill intersection tested variably altered King Leopold Sandstone containing sub-horizontal lenses of geochemically anomalous gold defined by the plus 5 ppb contour ranging up to 85 ppb gold over 1 metre. On an adjacent drill section about 140 metres to the northwest, a spot high of 134 ppb gold over 1 metre was returned from ferruginised sandstone within 10 metres of the surface.

### Epithermal Creek Prospect

The Epithermal Creek Prospect is centred some 5 kilometres northwest of 88 Creek Prospect and covers a northerly trending fault structure fracturing variably altered and in places deeply weathered volcanic and sedimentary rocks. At its northern end this fault is affected by a northwesterly trending fault structure which displaces the northerly trending structure to form a jog zone.

Initial interest in the prospect arose from the detection of gold grains in three gravel samples obtained from a drainage tract rising in the vicinity of the northerly trending fault structure.

Further investigation identified significant laminated quartz veining and ferruginous leached breccias associated with the fault structures. Portions of the extensive structures concerned were investigated by soil geochemical surveys and rock sampling.

Soil geochemical surveying over approximately 5 kilometres of the northerly trending fault structure identified sub-parallel low level geochemical anomalies defined by the greater than 3 ppb gold contour within the catchment of the creek which earlier had been found to contain detrital gold. Within these anomalies, low level spot highs of plus 100 ppb gold were obtained. At the northern end of the area, a soil anomalous zone with a northwesterly trend over 1000 metres in length is defined by the greater than 10 ppb gold contour which at its southeastern extremity returned values above 100 ppb gold.

Reconnaissance rock chip sampling of laminated quartz veining in sandstone and altered volcanics within faulted areas returned values up to 491 ppb and 235 ppb gold respectively. In the area covered by the soil sampling, other samples of highly weathered and altered rocks collected along the fault structures returned low or background gold values but with anomalous levels of up to 711 ppm copper, 494 ppm zinc, 163 ppm lead, 8 ppm tungsten and 90 ppb mercury.

Approximately 3 kilometres north of the main Epithermal Creek Prospect, an area known as Epithermal Creek North was rock sampled along a northwesterly trending fault zone cutting Carson Volcanics and King Leopold and Warton Sandstone formations. These samples returned up to 1930 ppm copper, 54 ppm lead, 110 ppm zinc and 182 ppm nickel.

### Regional Gold Exploration

Beyond the 12 kilometre by 5 kilometre area of interest containing the 88 Creek, Epithermal Creek and Magnesite Creek Prospects, regional gold exploration designed to identify new target areas for evaluation was undertaken in 2002 and took the form of low density stream sediment and/or soil geochemistry in areas where detrital gold localities had been recorded as a result of previous regional diamond exploration. This work identified a number of anomalous areas

for follow up. In 2003 two of these anomalous areas within the western sector of Exploration Licence 80/2504 were sampled in more detail with both stream sediment and soil geochemical surveys and showed low order anomalism with gold values up to 3 ppb gold. In addition three areas between 88 Creek and Magnesite Creek Prospects within Exploration Licence 80/2504 and 2753 were geochemically surveyed without defining significant anomalies.

There remain five anomalous areas from the 2002 programme within the 88 Creek Project area which have yet to be followed up and these are tabulated below in Table 6.

Table 6 – Drainage Geochemical Anomalies From 2002 Sampling Programmes

| Anomaly | Tenement | Area in sq km | Characteristics |
|---|---|---|---|
| 2 | E80/2753 | 0.6* | Up to 1040 ppb Au, 4 ppm As and 88 ppm Cu from an area crossed by northwesterly trending lineaments in Warton Sandstone |
| 30 | E80/2504 | 5.9* | Up to 8 ppb Au, 6.5 ppm As proximal to a locality where one detrital gold grain was recovered from Warton Sandstone associated with a north-south fault zone |
| 50 | E80/2504 | 0.95 | Up to 15 ppb Au, 6 ppm As and 10 ppm Cu in King Leopold Sandstone |
| 61 | E80/2504 | 2.0 | Up to 352 ppm Cu response against a 80 to 160 ppm general range of values in Carson Volcanics |
| 62 | E80/2753 | 2.0* | Up to 187 ppm Cu in King Leopold Sandstone |

**Anomaly area extends beyond property boundary*

During 2002, an interpretation was carried out of Advanced Spaceborne Thermal Emission and Reflection Radiometer ("ASTER") data covering a large area mainly to the north and west of the 88 Creek Project area. This study did however include the western portion of Exploration Licence 80/2504 and is therefore of interest. In this study, the ASTER data were processed with the aim of identifying exploration targets related to alteration zones potentially associated with hydrothermal alteration and gold mineralisation.

Several forms of alteration were sought including iron oxide, advanced argillic, argillic and/or phyllic and silica alteration. Following the processing of the data with these principal aims in mind, each style of alteration was ranked in terms of priority and the top 3% by number were considered anomalous. Following further data refinements and analysis, several anomalous areas were defined for ground follow up. One significant anomaly falling within Exploration Licence 80/2504 is shown on the accompanying illustration and described in Table 7.

Table 7 – ASTER Anomalies Within 88 Creek Property

| Anomaly | Tenements | Follow-Up Area in sq km | Characteristics |
|---|---|---|---|
| 4 | E80/2504 | 45 | Coincident kaolinite, iron oxide and silica alteration associated with west-northwesterly trending argillic alteration zones. |

## Prospectivity

Interpretation and analysis of the drilling results from the most advanced gold prospect at 88 Creek Project has allowed some broad conclusions to be drawn concerning the style of gold mineralisation present, a possible model for its occurrence and the implications for future gold exploration.

A proposed model for gold occurrence at the 88 Creek Prospect envisages a heat cell generated by a buried intrusive source focussing gold bearing fluids along near vertical conduits where northerly, northwesterly and northeasterly trending structures intersect. At surface, the core of this hydrothermal activity appears to be reflected by pyrophyllite alteration that is invariably barren of gold because the heat flows are too high for gold to precipitate. Beyond this core region, low grade gold precipitates out within certain horizons where lower temperatures prevailed associated with silica-sulphide alteration beyond the zone of pyrophyllite alteration and where other clay alteration and iron oxide alteration occurs. Late stage movement along regional faulting in the area has displaced the clay alteration zones and at some localities appears to be linked to mineralisation suggesting a complex development history.

This preliminary model helps to explain the near surface sub-horizontal control on gold mineralisation as leakage along favourable horizons and related silica-sulphide and iron oxide alteration zones evident from drilling at 88 Creek. The conceptual model also illustrates that future gold exploration drilling should be directed at testing deeper levels in the sedimentary sequence where major faulting occurs not only in the vicinity of the 88 Creek discovery area but in adjacent untested areas.

Overall, the drilling results to date from 88 Creek are low in absolute terms but the results demonstrate that highly anomalous gold geochemical values and low level gold mineralisation have been discovered in a Proterozoic province not previously known for primary gold occurrence. This initial drilling was based on testing soil geochemical anomalies adjacent to drainages where detrital gold had been recovered but without the benefit of detailed geological mapping to improve understanding of the relationship between structure, stratigraphy and alteration zones or petrographic studies designed to target the most favourable metasedimentary units for potential elevated gold mineralisation. In addition, no geophysical surveying was used to assist in the direct selection of drill targets.

It is recommended that future exploration is focussed upon developing drilling targets using electrical geophysical techniques, detailed geological mapping and related studies at the 88 Creek Prospect. Geophysical surveying, including modern resistivity and Induced Polarisation surveys using 3D methods, should aim to delineate structurally controlled targets which have the capacity to contain elevated levels of mineralisation and test the area for the occurrence of concealed intrusive bodies. Success in delineating such features will transform the present enigmatic status of the known gold mineralisation to a more robust exploration model for detailed investigation which may also be applied to explore other less intensively investigated gold prospects within the project area.

### Proposed Exploration

Exploration proposals by ARL for the 88 Creek Project area include the definition of drill targets using modern geophysical techniques and mapping in the vicinity of the most advanced 88 Creek Prospect. Following this initial exploration phase, ARL propose to drill test the defined targets.

The estimated cost of these exploration activities for the first year is $172 000 with $528 000 in the second year giving a total of $700 000 over two years.

## Doyle's Dam Project

### Location and Access

Doyle's Dam Project area is located some 45 kilometres northeast of the town of Coolgardie in the Coolgardie Mineral Field of Western Australia.

The project area is reached by way of the gravel Coolgardie North Road that runs first north and then north-northwest from the town of Coolgardie. At around 44 kilometres along this road, there is a gravel road that goes generally westwards eventually to Dunnsville to the west of the project area. This road crosses the central part of the Doyle's Dam Project area.

There are few other roads within the project area and most of those shown on the published maps no longer exist. Vegetation cover is generally sparse to moderate and away from the gravel road access would generally be possible by four wheel drive vehicle.

### Tenements

The Dolye's Dam Project area is located in the Coolgardie Mineral Field of Western Australia and comprises ten contiguous Prospecting Licence Applications 16/2270 to 2279 inclusive. The project area covers approximately 19 square kilometres.

### Geology

#### Regional Geology

The project area covers the faulted contact between the Dunnsville Granodiorite and the Doyles Dam Granodiorite both of Archaean age. These granitoid intrusions are present in the north-northwesterly trending Archaean Norseman to Wiluna Greenstone Belt which in the Dunnsville area is known as the Dunnsville-Ubina sequence. This sequence at its lowermost level comprises a highly folded and sheared sequence of basalt intruded by mafic sills and thin interflow sediments. Overlying this basal unit, ultramafic and ultramafic komatiite volcanics occur followed by another basalt and ultramafic sequence which may reflect structural repetition. Finally, the uppermost part of the greenstone sequence is marked by a metasedimentary formation with minor mafic volcanics.

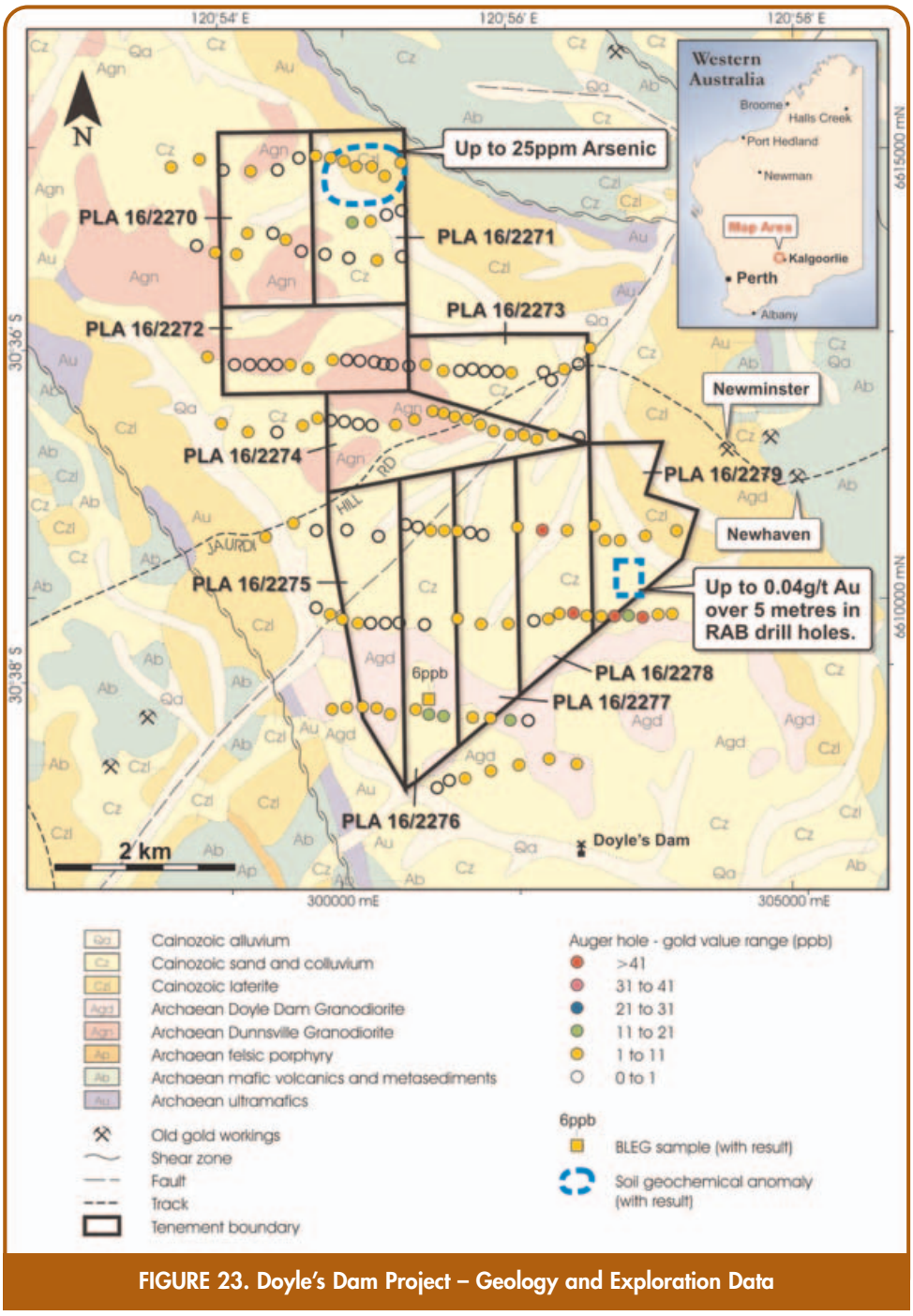


**FIGURE 23. Doyle's Dam Project – Geology and Exploration Data**

## Local Geology and Structure

The northern portion of the Dolye's Dam project area covers the southeastern part of the Dunnsville Granodiorite intrusion which forms an elliptical dome trending northwest with crosscutting relations with the surrounding greenstone succession. The contact zone between the granodiorite and the greenstone sequence is marked by intense deformation and in places the granodiorite is interleaved with greenstones.

The southern part of the project area is underlain by the Doyle Dam Granodiorite which has a faulted contact with the southern end of the Dunnsville Granodiorite. The Doyle Dam Granodiorite is interpreted to have been emplaced forcefully. The late stage major north-northeasterly trending fault developed between the two granodiorites can be traced in to the surrounding greenstone sequence where it displaces major north-northwesterly trending shears. Much of the movement associated with this final phase of deformation appears to be dextral strike slip in nature.

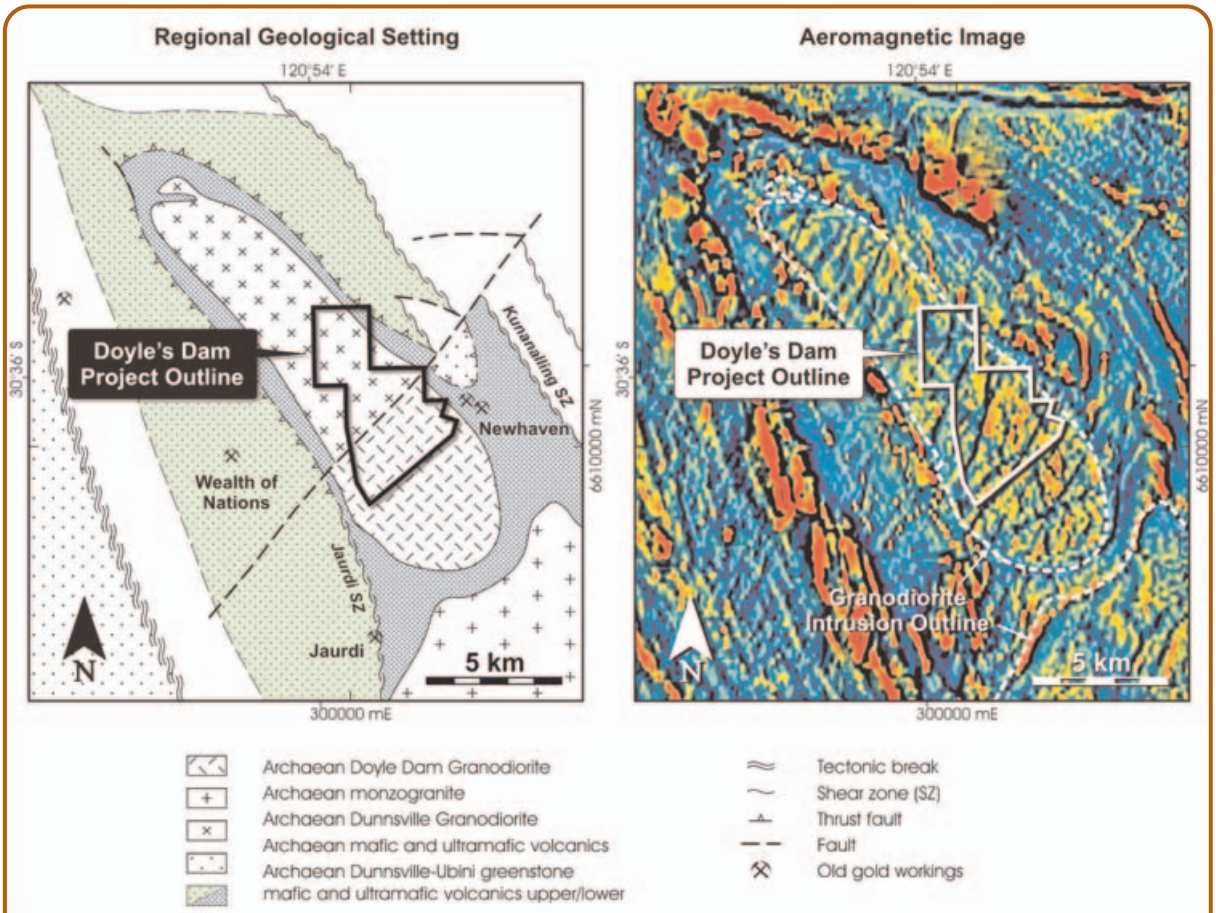


**FIGURE 24. Doyle's Dam Project – Regional Geological Setting and Aeromagnetic Image**

### Mineralisation

Gold mineralisation within the region surrounding the project area has traditionally been associated with zones of intense deformation linked to contact zones between mafic-felsic porphyry and interflow sediment-mafic associations within the greenstone succession. Accommodation shears linked to granodiorite intrusion within the greenstones also appear to have a major structural control on gold deposition.

Interest in investigating the gold potential of structured granodiorite intrusions has gained momentum in recent years following the discovery of gold mineralisation in a large granodiorite intrusive complex situated 35 kilometres north-northwest of Kalgoorlie at the Golden Cities locality. Here gold mineralisation follows northwesterly trending fracture zones within granodiorite. An analogue of the regional setting at Doyle's Dam has promoted renewed interest in investigating the gold potential of the granodiorite intrusions within the project area.

## Previous Exploration

### Exploration 1983 to 1985

Some 50 soil samples were collected over a portion of Prospecting Licence Application 16/2278 in the southeastern sector of the area underlain by laterite. Samples were recovered at 25 metre intervals along two lines spaced about 450 metres apart. No gold values above 2 ppb were recorded.

### Exploration 1987 to 1989

The northern portion of Prospecting Licence Application 16/2271 covering a part of the northeastern sector of the project area was explored for gold during the period as part of a larger study area. Exploration included geological mapping using colour aerial photography and the acquisition of airborne magnetic data. Mapping showed that the area of interest within Prospecting Licence Application 16/2271 covers colluvium and laterite veneer over granodiorite close to the contact zone between the Dunnsville Granodiorite and greenstone sequences outside the project area to the northeast. The area was prospected using soil geochemical surveying with samples collected at 50 metre intervals along two lines spaced some 500 metres apart. The samples were analysed for gold and arsenic. No gold values

above the detection level of 10 ppb gold were recorded. Arsenic values ranged from below the level of detection at 5 ppm up to 25 ppm.

### Exploration 1987 to 1991

An exploration project centred outside the present project area included ground presently covered by Prospecting Licence Application 16/2279 in the eastern part of the project area. Initial work in this area included a single east-west soil geochemical traverse comprising the collection of 30 samples at 40 metre intervals. These samples were analysed for gold, copper, nickel and zinc. Results ranged from 1 to 14 ppb gold, 17 to 47 ppm copper, 10 to 64 ppm nickel and 19 to 39 ppm zinc. Follow up soil geochemistry included the collection of samples at 160 metre by 40 metre centres with subsequent infill sampling over a discrete area at 80 metre by 20 metre centres for a total of 195 samples. Collectively, the results outlined a gold anomaly measuring some 300 metres by 400 metres with a peak value of 36 ppb gold in residual soils over a portion of the Doyle Dam Granodiorite. Parts of the soil anomaly were subsequently tested by ten shallow inclined RAB drillholes for a total of 361 metres. Results indicated low level gold anomalism up to 0.04 ppm in five of the drillholes. These positive results were attributed to lateritic gold enrichment in the near surface environment.

### Exploration 1991 to 1998

During the 1990s, exploration for gold and base metals was carried out largely outside the present project area over greenstone areas west of the Dunnsville and Dolye Dam Granodiorites. However, part of the investigation covered a portion of the western contact zone between granodiorite and greenstone sequences now falling within the western margins of Prospecting Licence Applications 16/2274 and 2275. In this area of deep residual soil cover, prospecting included geological mapping and soil geochemical surveying using soil samples collected at 40 metre intervals composited over 80 metres along lines spaced 640 metres apart. Samples were analysed for gold, copper, zinc and nickel and returned no anomalous values.

### Exploration 1994 to 1995

An area of Doyle Dam Granodiorite of about one square kilometre now covering a portion of the southern part of Prospecting Licence Applications 16/2275 and 2276 was investigated by BLEG sampling followed by soil geochemistry. The highest BLEG result of 6 ppb gold was recovered from a creek following a southwesterly course and the highest soil sample returned 13 ppb gold. No definitive anomaly pattern was identified from the limited programme.

### Exploration 1997 to 2001

During the period an area covering both the Dunnsville and Doyle Dam Granodiorite intrusions was explored by an auger drilling programme supported by the interpretation of regional aeromagnetic and geological data. The auger drilling was carried out at 300 metre intervals along lines spaced nominally 1000 metres apart. In some areas auger holes were more closely spaced at 150 metres apart. A large percentage of the holes tested the calcrete horizon, residual laterite over granodiorite or mafic rock types. All samples were analysed for low-level gold concentration using aqua regia techniques.

Within the present Dolye's Dam project area some 90 auger holes were drilled along six drill traverses. Results indicated that a large percentage of the holes returned values within the 1 to 11 ppb gold range. Geochemically anomalous gold values greater than 11 ppb were returned on four drill traverse lines including peak values up to 48 ppb and 55 ppb gold on two adjacent lines. All the most significant anomalies cover areas underlain by Doyle Dam Granodiorite.

A feature of the aeromagnetic imagery covering the present project area is the number of prominent north-northeasterly trending structural lineations which cross both the Dunnsville and Doyle Dam Granodiorites. These structures are traceable within the surrounding greenstone sequence and appear to have had a role in the location of gold mineralisation where they intersect north-northwesterly trending shear zones.

Further work was recommended to follow up on the significant gold anomalies identified but these activities do not appear to have been carried out.

## Prospectivity

The Doyle's Dam project area has until recent times attracted little exploration attention.

Earlier gold exploration was mainly focussed on greenstone sequences lying adjacent to the area and therefore coverage of the Dunnsville and Doyle Dam Granodiorites which underlie the project area was limited to small areas where activity was of limited scope.

In recent years the importance of granitoid intrusions within the greenstone sequences has been recognized as playing a significant role in producing mineralised accommodation shears. Similar structural features following north-northwesterly and more dominantly north-northeasterly trends have been identified within the project area over the Dunnsville and Doyle Granodiorites and offer conceptual gold exploration target zones. The impetus for more detailed exploration of these zones is encouraged by the recent discovery of gold mineralisation in an analogous regional setting within a granodiorite complex in the Kalgoorlie region.

Relatively recent gold exploration over the project area targeted the granodiorite intrusions with a first pass auger drilling programme which indentified several geochemically anomalous zones with peak values of 48 ppb and 55 ppb gold on adjacent drill traverse lines spaced 1000 metres apart. These elevated values are interpreted to lie close to intersecting structural lineaments identified from aeromagnetic data. Addition exploration work is therefore recommended to investigate further the outlined anomalies.

## Proposed Exploration

ARL propose to advance the Doyle's Dam Project by drill testing the defined structural targets for their gold potential. A budget allocation has been made for this purpose of $89 000 over two years.

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31 January 2006

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# Glossary of Technical Terms and Abbreviations

## A

| | |
|---|---|
| AAS | Atomic Absorption Spectrometry, a method of chemical analysis |
| actinolite | a green or greyish green mineral of the amphibole group |
| aerial photography | photographs of the earth's surface taken from an aircraft *syn. aerophotography* |
| aeromagnetic survey | a geophysical survey made from the air to record variations in the earth's magnetic field *syn. aeromagnetometry, airborne magnetometry, airborne magnetic survey* |
| aeroradiometric survey | a geophysical survey made from the air to record variations in the ambient radiation *syn. aeroradiometry, airborne radiometry* |
| aircore | a rotary drilling technique that uses compressed air to cut a core sample and return fragments to surface inside the drill rods |
| alkali feldspar | a feldspar with high potassium and sodium contents |
| alluvium | a sediment deposited by water *adj. alluvial* |
| alteration | applied to rocks or rock forming minerals that have been chemically changed *adj. altered* |
| AMG | Australian Metric Grid, co-ordinates based on the metric system of measurement |
| amphibole | a group of dark iron magnesium silicate minerals |
| amphibolite | a metamorphic rock consisting of amphibole and plagioclase |
| amygdale | a cavity containing minerals in an igneous rock *adj. amygdaloidal* |
| anomaly | a value or group of values higher or lower than expected often outlining a zone of potential exploration interest but not necessarily of commercial significance syn. *anomalism adj. anomalous* |
| anticline | a fold where the rock strata dip outwards away from the axis *adj. anticlinal ant. syncline* |
| antiform | a fold whose limbs close upward in strata for which the stratigraphic sequence is not known |
| aqua regia | a mixture of nitric and hydrochloric acids |
| Archaean | a division of geological time from the origin of the Earth to 2500 million years ago |
| argillic alteration | a rock alteration in which certain minerals of a rock are coverted to minerals of the clay group |
| arsenopyrite | a mineral composed of iron, arsenic and sulphur FeAsS |
| As | the chemical symbol for arsenic |
| Au | the chemical symbol for gold |
| auger | a screw-like tool used to obtain shallow samples |
| auriferous | containing gold |

## B

| | |
|---|---|
| banded iron formation | a rock type with alternating bands of iron rich minerals and silica *syn. jaspilite* |
| basalt | a fine grained volcanic rock composed primarily of plagioclase feldspar and mafic minerals *adj. basaltic* |
| base metal | a metal inferior in value to precious metals e.g. copper, lead, zinc |
| basic | pertaining to igneous rocks containing between 45% and 52% silica |
| bauxite | commonly an indurated residual or transported rock composed of aluminous hydroxides and impurities in the form of silica, clay, silt, and iron hydroxides |
| bed | an individual sedimentary layer *syn. stratum* |
| bedding | the general arrangement and types of beds in a stratigraphic sequence *adj. bedded syn. stratigraphy* |
| bedrock | any solid rock underlying unconsolidated material |
| BLARG | Bulk Leach Aqua Regia Gold, an analytical technique |
| BLEG | Bulk Leach Extractable Gold, an analytical technique |
| blind | applied to mineralisation or a deposit meaning not visible at surface |
| block model | a tonnage and grade model of a mineral deposit that is reported in terms of blocks of standard sizes. |
| boudinage | a structure usually in strongly deformed rocks resulting in boudins or sausage-shaped layers |
| breccia | a coarse grained rock of angular broken rock fragments cemented together *adj. brecciated* |
| bulk density | the density of a substance including the natural voids |
| bulk relative density | the relative density of a substance including the natural voids |
| bulk sample | a large sample taken from a deposit usually for metallurgical purposes |

## C

| | |
|---|---|
| Cainozoic | a division of geological time from 65 million years ago to the present |
| calcite | a mineral composed of calcium, carbon and oxygen $CaCO_3$ *adj. calcitic* |
| calcrete | a hard pan layer in which surface debris is cemented by calcium carbonate |
| carbonate | a mineral or compound containing the carbonate radical $CO_3^{2-}$ |
| Carboniferous | a division of geological time from 345 to 280 million years ago |
| catchment | an area that collects and drains rain water |
| cement | a mineral occurring in the interstices between rock or mineral grains that binds the mass together *adj. cemented* |
| chalcopyrite | a copper-iron sulphide mineral, an important ore of copper $CuFeS_2$ |
| chert | a rock composed of very fine grained silica |
| chip sample | a sample taken by the collection of similar sized fragments generally at intervals over a distance |
| chlorite | a group of usually greenish silicate minerals *adj. chloritic* |
| clast | a fragment produced by physical weathering *adj. clastic* |
| clay | particles of less than 0.0039 millimetres often but nor always composed of clay minerals |
| clay mineral | a member of a large group of essentially aluminium silicate minerals with micro crystalline, colloidal or amorphous structure |
| colluvium | alluvium transported only a short distance before deposition *adj. colluvial* |
| composite sample | a sample formed by the aggregating of all or part of smaller samples |
| conglomerate | a sedimentary rock usually composed essentially of gravel sized grains, distinct from breccia |
| contact zone | the zone around an igneous intrusion where the country rock has been metamorphosed *syn. aureole* |
| core drilling | a rotary drilling technique whereby a continuous cylindrical sample is produced |
| costean | a trench |
| country rock | the rock enclosing a mineral deposit or an igneous intrusive |
| Cretaceous | a division of geological time from 135 to 65 million years ago |
| cross section | a drawing in the vertical plane through a geological feature at right angles to the feature's direction of elongation *adj. cross sectional* |
| Cu | the chemical symbol for copper |
| cut-off | an upper or lower limit generally of grade applied during the estimation of a resource or reserve |

## D

| | |
|---|---|
| deformation | the folding and faulting that results from the application of Earth forces *adj. deformed* |
| dendritic | describes a drainage pattern which is characterised by irregular branching in all directions |
| deposit | a natural accumulation of material |
| deposition | the processes that result in the formation of deposits *adj. depositional* |
| detritus | material derived from the mechanical disintegration of a parent rock *adj. detrital* |
| Devonian | a division of geological time from 410 to 345 million years ago |
| diamond or diamond core drilling | a rotary drilling technique using diamond set or impregnated bits whereby a continuous cylindrical sample is produced |
| dickite | a mineral of the kaolin group found crystallized in clay in hydrothermal veins $Al_2Si_2O_5(OH)_4$ |
| digital elevation model | a digital computer file containing data on surface elevations over an area |
| dip | the angle that an inclined sedimentary layer, fault or other planar surface makes with the horizontal |
| disseminated | where one material is distributed through the mass of another material |
| dolerite | a medium grained intrusive rock mainly composed of feldspar and pyroxene *adj. doleritic* |
| dolomite | a mineral composed of calcium, magnesium, carbon and oxygen $CaMg(CO_3)_2$ and the rock that is composed predominantly of the mineral dolomite *adj. dolomitic* |
| dome | a large intrusive whose sides slope away at low angles generally increasing with depth |
| down hole logging | a technique whereby geophysical parameters are measured by lowering a sensor probe down a drill hole |
| drainage | a collective term for the rivers, streams, lakes etc by which an area is drained of rain water |
| drainage survey | a geochemical exploration technique where stream sediments are the sampling medium *syn. drainage geochemistry, stream sediment geochemistry, stream sediment survey* |
| drill | to produce a hole by rotary or percussive action *adj. drill, drilling* |
| duplicate sample | a second sample taken as a check on the reliability of a first sample |
| dyke | a tabular intrusive body of igneous rock that cuts across the layers it intrudes |

## E

| | |
|---|---|
| ELA | Exploration Licence Application |
| epidote | a greenish silicate mineral |
| epithermal | pertaining to mineral veins and ore deposits formed from warm waters at shallow depth in the temperature range of 50° to 200°C |
| EM survey | Electromagnetic survey, a geophysical method of measuring the alternating magnetic fields associated with electrical currents artificially or naturally maintained in the subsurface |
| exhalative | pertaining to deposits formed by the issuance of volcanically-derived fluids onto the sea floor or into the sea |
| Exploration Licence | a type of mineral tenement |

## F

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| fault | a fracture in rocks on which there has been movement on one of the sides relative to the other and parallel to the fracture *adj. faulted* |
| faulting | the general style and arrangement of faults in an area |
| feldspar | a member of an abundant group of rock forming silicate minerals in which calcium, sodium and potassium are in combination with aluminium *adj. feldspathic* |
| felsic | pertaining to light coloured silicate minerals that are poor in iron and magnesium and the rocks in which these minerals are abundant |
| ferruginous | containing iron |
| fire assay | an analytical technique used for gold, silver and platinum determinations *adj. fire assayed abbv. assay, assayed* |
| fold | a bend in a planar feature such as bedding usually resulting from deformation *adj. folded* |
| fold axis | the plane around which a fold is wrapped |
| folding | the general style and arrangement of folds in an area |
| foliation | the planar arrangement of features in a rock *adj. foliated* |
| footwall | the wall rock below an inclined vein or fault |
| formation | a stratigraphic unit having recognisable characteristics |
| fracture | a break resulting during deformation |
| fuchsite | a chromium rich variety of muscovite |

## G

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|---|---|
| gabbro | a dark coloured basic igneous intrusive rock *adj. gabbroic* |
| geochemistry | the study of the variation of chemical elements in rocks or soils *adj. geochemical adv. geochemically* |
| geomorphology | the study of the configuration of the Earth's surface *adj. geomorphological syn. physiography* |
| geophysics | the study of the Earth by quantitative physical methods *adj. geophysical adv. geophysically* |
| gossan | the ferruginous surface product from the weathering of sulphide mineralisation *adj. gossanous* |
| granite | a coarse grained igneous rock consisting essentially of quartz and more alkali feldspar than plagioclase *adj. granitic* |
| granitoid | an intrusive of generally granitic affinities |
| granodiorite | an igneous rock of intermediate composition containing quartz, potassium and plagioclase feldspar with biotite, hornblende or more rarely pyroxene as mafic components |
| gravel | unconsolidated sediment formed by fragments greater than 2.0 millimetres in diameter |
| gravity survey | a geophysical survey technique using a gravimeter to measure the force of gravity at locations within an area |
| greenstone | a general term for metamorphosed basic or ultrabasic rocks often dark green in colour |
| greenstone belt | an elongate area in Precambrian terrain comprising predominantly greenstone rocks |
| g/t | grams per tonne, a measurement of grade generally applied to precious metals, numerically equivalent to ppm |

## H

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|---|---|
| hanging wall | the wall rock above an inclined vein or fault |
| hornblende | a black to dark green or brown mafic silicate mineral |
| hot spot | a large volcanic centre that persists for long periods of geological time |
| hydrothermal | of or pertaining to hot water |
| hyperspectral survey | a high resolution airborne spectral survey |

I

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|---|---|
| ICP | Inductively Coupled Plasma, an analytical technique |
| ICPMS | Inductively Coupled Plasma Mass Spectrometry, an analytical technique |
| igneous | pertaining to rocks formed by crystallisation from molten material |
| illite | a general name for a group of widely distributed mica-like clay minerals |
| imagery | the images produced from physical data |
| incised | pertaining to a channel or drainage that has cut down in to the Earth's surface by erosion |
| Indicated Resource | the middle assured category of resource |
| Inferred Resource | the least assured category of resource |
| intercalation | the presence of a layer between other layers of different characteristics *adj. intercalated* |
| interflow | pertaining to a bed, mineral deposit etc lying between lava flows |
| intermediate | said of an igneous rock that is transitional between mafic and felsic igneous rocks |
| intrusion | a body of igneous rock that was intruded whilst molten in to the earth's crust *syn intrusive* |
| intrusive | a body of igneous rock that was intruded whilst molten in to the earth's crust *syn intrusion* |
| inverse distance cubed | a geostatistical method for interpolating grade etc in a mineral deposit |
| inverse distance squared | a geostatistical method for interpolating grade etc in a mineral deposit |
| IP survey | Induced Polarisation survey, a geophysical survey technique involving the measurement of induced electrical charge brought about by applied electromagnetic fields |

J

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|---|---|
| jaspilite | a rock type with alternating bands of iron rich minerals and silica *syn. banded iron* |
| JORC Code | the Australasian Code for the Reporting of Mineral Resources and Ore Reserves |
| Jurassic | a division of geological time from 212 to 142 million years ago |

K

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|---|---|
| komatiite | an ultramafic lava *adj. komatiitic* |
| kriging | a geostatistical method for interpolating grade etc in a mineral deposit *adj. kriged* |

L

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|---|---|
| laterite | red residual soil or rock developed in humid tropical or sub tropical regions with good drainage; it contains concentrations of insoluble residual elements such as iron and aluminium *adj. lateritic, lateritised* |
| lava | a molten rock that has been erupted on to the earth's surface *syn. extrusive* |
| layered | when pertaining to an igneous intrusion, where distinctive layers occur with different mineral compositions |
| linear | any elongated feature on an image from aerial photography, geophysical survey, Landsat etc *syn. lineament* |
| lineament | any elongated feature on an image from aerial photography, geophysical survey, Landsat etc *syn. linear* |

M

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|---|---|
| MLA | Mining Lease Application |
| mafic | pertaining to dark coloured silicate minerals that are rich in iron and magnesium and the igneous rocks in which these minerals are abundant |
| magnetometry | a geophysical survey made to record variations in the Earth's magnetic field *syn. magnetic survey* |
| malachite | a copper carbonate mineral $Cu_2CO_3(OH)_2$ |
| mantle | the zone of the Earth below the crust |
| Measured Resource | the most assured category of resource |
| Mesoproterozoic | a division of geological time from 1700 to 1200 million years ago |
| meta | a prefix meaning that the rock type has undergone metamorphism |
| metallurgy | the science of producing valuable metals and minerals from their ores *adj. metallurgical syn. mineral processing* |
| metamorphism | the mineralogical, structural and chemical changes induced within solid rocks through the actions of heat, pressure or the introduction of new chemicals *adj. metamorphic, metamorphosed* |
| metasomatism | the introduction of chemicals in to a rock often without changes in volume or texture *adj. metasomatic, metasomatised* |
| mica | a member of a group of silicate minerals that easily split in to sheets *adj. micaceous* |
| mineragraphy | the study of opaque minerals under the reflecting microscope *adj. mineragraphic* |

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| mineral | a naturally occurring chemical compound that is a constituent of a rock or sediment |
| mineral processing | the science of producing valuable metals and minerals from their ores *syn. metallurgy* |
| mineralisation | in economic geology the introduction of valuable elements in to a rock body or the result of such introduction *adj. mineralised* |
| Mining Lease | a type of mineral tenement |
| mm | millimetre |
| monzogranite | an intrusive rock intermediate in composition between monzonite and granite |
| monzonite | an intrusive rock with approximately equal amounts of alkali and plagioclase feldspar with little or no quartz |
| multi spectral imagery | images produced from physical data of more than one wavelength |
| mylonite | a fine grained breccia with evidence of movement produced by deformation of a rock by applied pressure *adj. mylonitic* |

## N

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| Neoproterozoic | a division of geological time from 1200 to 570 million years ago |
| nugget effect | the value of the semivariogram function at minimal distance between sampling locations and thus a measure of the intrinsic uncertainty in a deposit |

## O

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| open hole drilling | a drilling technique where the hole is not cased |
| ore | that part of a mineral deposit that can be economically exploited |
| ore shoot | an elongate mass of higher grade material within a deposit |
| orientation survey | the application of an exploration technique on a trial basis generally to an area of known characteristics as a preliminary to the systematic application of the technique |
| outcrop | the surface expression of a rock layer *syn. exposure* |
| overburden | the waste material overlying a mineral deposit |
| oxide | a mineral incorporating oxygen |
| oxide zone | the near surface part of a mineral deposit altered by atmospheric oxygen and water *syn. oxidised zone* |

## P

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|---|---|
| PLA | Prospecting Licence Application |
| palaeo | a prefix relating to a past, ancient or fossil feature |
| Palaeoproterozoic | a division of geological time from 2400 to 1700 million years ago |
| pan concentrate | a concentrate of heavier minerals produced by the use of a pan *adj. panned* |
| pathfinder | in geochemistry an element or mineral associated with the element or mineral being sought and that can be more easily detected |
| percussion drilling | rock drilling carried out by the hammering action of a pneumatically driven drill bit |
| Phanerozoic | a division of geological time from 580 million years ago to the present |
| photogeology | the interpretation of geological features using photography usually aerial photography *adj. photogeological* |
| phyllic alteration | a common type of hydrothermal alteration |
| phyllosilicate alteration | a common type of hydrothermal clay alteration |
| pisolite | a rounded pea size accretion or a rock formed from such accretions *adj. pisolitic syn. pisolith* |
| placer | a mineral deposit formed by physical concentration processes |
| plagioclase | a feldspar with a high sodium-calcium content |
| pluton | an igneous intrusion |
| plunge | the inclination of a linear structure measured in the vertical plane |
| porphyry | an igneous rock with a comparatively fine grained matrix and scattered coarse mineral crystals *adj. porphyritic* |
| ppb | parts per billion, a measure of concentration |
| ppm | parts per million, a measure of concentration |
| precollar | the part of a hole drilled down to the depth at which diamond core drilling is to commence and for which some other drilling technique is used |
| Prospecting Licence | a type of mineral tenement |
| prospectivity | the degree to which an area is judged to have the potential to contain a mineral deposit |
| potassic | pertaining to or containing potassium |
| Proterozoic | a division of geological time from 2400 to 570 million years ago |

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| pyrite | a mineral composed of iron and sulphur $FeS_2$ *adj. pyritic* |
| pyroxene | a dark rock forming silicate mineral |
| pyrrhotite | a mineral composed of sulphur and variable iron content $Fe_{1-x}S$ *adj. pyrrhotitic* |
| pyrophyllite | a white, greenish, grey, or brown mineral that resembles talc $AlSi_2O_5(OH)$ |
| **Q** | |
| quartz | a very common mineral composed of silicon and oxygen $SiO_2$ |
| **R** | |
| RAB | Rotary Air Blast, a rotary drilling technique that uses compressed air to clear the drill bit of cuttings and return them to the surface |
| radiometric survey | a geophysical survey made to record variations in the ambient radiation *syn. radiometry* |
| RC | Reverse Circulation, a rotary percussion drilling technique in which the samples are returned to the surface inside the drill rods minimising contamination |
| regolith | the variegated unconsolidated material that overlies bedrock *syn. Soil* |
| refractory gold | usually pertaining to gold ore from which gold is difficult or expensive to recover |
| remote sensing survey | the process of acquiring physical data at a distance |
| resistivity survey | a geophysical survey technique in which the resistance of the earth is measured by means of an introduced electrical current |
| resource | quantitative estimate of material in a mineral deposit that is potentially exploitable at a profit |
| reverse fault | a fault where the hanging wall has moved upward relative to the footwall |
| ria | the elongate marine inlet produced by inundation of a valley |
| riffle | a device for reducing the volume of a sample while maintaining its representativity *syn. riffle splitter, sample splitter* |
| rifting | the processes that result in the formation of rifts |
| RL | Relative Level, a method of quantifying elevations relative to a local datum |
| rotary percussion | a drilling technique involving simultaneous hammering and rotation action by a bit |
| **S** | |
| sample | collected material that is intended to be representative of a larger body of material |
| sampling | the processes by which samples are obtained |
| sand | unconsolidated sediment formed by fragments between 0.06 and 2.0 millimetres in diameter *adj. sandy* |
| sandstone | a sedimentary rock composed essentially of sand sized grains |
| schist | a foliated metamorphic rock easily split in to sheets *adj. schistose* |
| schistosity | the rock fabric of a schist |
| scissor drill orientation | the drilling of inclined holes in opposing directions so that they cross at an angle generally of around 60° |
| scoping study | a study intended to explore the scale at which a proposed mining operation would need to be carried out and/or to define the work programme that would be necessary |
| screened sample | a sample where a particular size fraction is collected typically less than a certain sieve mesh aperture *syn. sieved sample* |
| sediment | solid material whether mineral or organic that has been moved from its position of origin and redeposited *adj. sedimentary* |
| sericite | a potassium rich mica mineral *adj. sericitic* |
| shale | a laminated sedimentary rock in which most particles are clay size *adj. shaley* |
| shear | a form of deformation where movement occurs parallel to geological contacts *adj. shearing, sheared* |
| shear zone | a zone of many parallel shears |
| sheetwash | a sedimentary deposit formed by an expansive but short lived flow of storm water in an arid region |
| sieved sample | a sample where a particular size fraction is collected typically less than a certain sieve mesh aperture *syn. screened sample* |
| silica | silicon dioxide $SiO_2$ *adj. siliceous* |
| silicate | a mineral containing silica |
| silicification | the introduction of silica in to a rock *adj. silicified* |
| sill | a tabular intrusive body of igneous rock that is conformable with the layers it intrudes |
| siltstone | a sedimentary rock usually composed of silt sized grains |

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| soil | the variegated unconsolidated material that overlies bedrock *syn. regolith* |
| soil sampling survey | a geochemical exploration technique where soil is the sampling medium *syn. soil geochemistry* |
| spilite | an altered basalt usually amygdaloidal |
| stockwork | a mineral deposit with veinlets in a number of orientations crossing each other |
| stratigraphy | the general arrangement and types of beds in a sedimentary sequence *adj. stratigraphic, stratified syn. Bedding* |
| stratiform | pertaining to a mineral deposit that is confined to one or more rock layers *syn. stratabound* |
| stream sediment survey | a geochemical exploration technique where stream sediments are the sampling medium *syn. stream sediment geochemistry* |
| strike | the direction of a horizontal line in the plane of an inclined sedimentary layer, fault or other planar surface perpendicular to the direction of dip |
| strike slip fault | a fault with movement parallel to the strike of the fault |
| sub-audio magnetic geophysical survey | a surface or downhole geophysical technique used to detect conductive zones by modelling measurements of total field magnetometric induced polarisation brought about by a current transmitter. The technique uses a magnetometer and caesium vapour sensor to measure the horizontal total field magnetometric resisitivity response |
| sulphide | a mineral containing sulphur and a metal *adj. sulphidic* |
| superimposed | pertaining to a drainage that has eroded the original bedrock to expose the stratigraphy that is structurally different beneath an unconformity |
| syncline | a fold where the rock strata dip inwards towards the axis *adj. synclinal ant. Anticline* |
| syngenetic | pertaining to a mineral deposit that is contemporary with and formed by the same processes as the enclosing rocks |

T

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| talc | a very soft silicate mineral with a soapy or greasy texture |
| tectonism | the major structural processes forming faults and folds in the earth's crust *adj. tectonic adv. Tectonically* |
| Tertiary | a division of geological time from 65 to 1.8 million years ago |
| thrust fault | a fault with a dip of 45° or less over much of its extent, on which the haningwall appears to have moved upward relative to the footwall *adj. thrusting* |
| tholeiite | a basic igneous rock of slightly high silica content *adj. tholeiitic* |
| transport | the movement of material by natural means *adj. transported* |

U

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| ultrabasic | pertaining to igneous rocks containing less silica than basic rocks |
| unconformity | a position in a sedimentary sequence where there is a lack of continuity in adjacent rock strata caused by a time break in sedimentation *adj. unconformable adv. unconformably* |
| upper cut | the value to which exceptionally high analytical results are reduced during the estimation of a resource or a reserve |
| ultramafic | a general term for igneous rocks chiefly composed of mafic minerals |

V

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|---|---|
| vacuum drilling | a suction drilling technique used mainly for unconsol;idated materials |
| variogram | the calculated geostatistical measurement of the spatial variability of a deposit *syn. variography* |
| Valmin Code | the Code and Guidelines for Technical Assessment and/or Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for Independent Expert Reports |
| vein | a tabular or sheet like mineral filled fracture *adj. veined collect. veining* |
| veinlet | a narrow vein |
| volcanic | pertaining to a rock originating from the activities of volcanoes |
| volcaniclastic | pertaining to a clastic rock with a high proportion of volcanic derived material |
| vug | a small cavity lined with mineral crystals *adj. vuggy* |

W

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| weathering | a process of change to rocks brought about by their exposure to oxygen and water *adj. weathered* |

X

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| Xenomorphic | said of minerals having their outlines impressed on them by adjacent minerals |

WRIGHT
LEGAL

# 8 SOLICITORS' REPORT

10 February 2006

Phone: 08 9327 0820
E-mail: mgh@wrightlegal.com.au

The Directors
Alloy Resources Limited
Level 2, 668 Murray Street
WEST PERTH WA 6005

Dear Sirs

## SOLICITORS' REPORT

This Report is prepared for inclusion in a prospectus (***Prospectus***) to be dated on or about 14 February 2006 for issue by Alloy Resources Limited ACN 109 361 195 (***Company***) of 25,000,000 fully paid ordinary shares at an issue price of 20 cents ($0.20) per share together with one free attaching option per share issued, expiring 3 years after issue with an exercise price of $0.20 per share and provision for oversubscriptions of up to a further 10,000,000 shares and options.

This Report relates to:

(a) various mining tenements in Western Australia (***Tenements***) held by the Company listed in the Summary of Tenements Schedule (***Schedule***) at the end of this Report; and

(b) a summary of the various material contracts (***Agreements***), set out in item 9 below, to which the Company is a party.

Words and expressions defined in the Prospectus have the same meaning when used in this Report.

### 1 Searches

We have conducted the following searches and enquiries:

(a) searches of the Tenements in the register maintained by the Department of Industry and Resources of Western Australia (***DoIR***) pursuant to the *Mining Act 1978* (WA) (***Mining Act***) on 7 February 2006;

(b) quick appraisal searches of the Tenements obtained on-line from the Tengraph system maintained by the DoIR dated 7 February 2006; and

(c) searches of the native title application summaries maintained by the National Native Title Tribunal (***NNTT***) on 7 February 2006 in relation to those native title claims which affect the Tenements.

Based on our searches and enquiries and subject to the statements set out below, we confirm at the date of the searches:

(a) the details of the mining tenements referred to in this Report are accurate as to the status and registered holders of those tenements;

(b) where title to a mining tenement has not been granted that fact is disclosed in the Schedule;

(c) all applicable rents due in respect of the mining tenements under the Mining Act have been paid;

(d) all expenditure requirements under the Mining Act have been met or exemptions obtained or applied for;

(e) all annual expenditure reports on operations required to be lodged with DoIR in respect of the Tenements have been lodged;

(f) any caveats against the titles of the mining tenements have been disclosed in the Schedule; and

(g) none of the mining tenements are subject to any unusual conditions of a material nature other than as disclosed in the Schedule.

## 2 Assumptions and qualifications

In preparing this Report:

(a) we have relied on the information provided as a result of the searches which we have made or caused to be made of the register and the Tengraph system maintained by DoIR and the register maintained by the NNTT being accurate and complete;

(b) where compliance with requirements necessary to maintain a Tenement in good standing or a possible claim in respect of a Tenement is not disclosed on the face of the searches referred to above, we express no opinion on that compliance or claim;

(c) where any agreement, dealing or act (including disturbing the land for exploration or mining) in a Tenement requires an authorisation, approval, permission or consent (***Authorisation***) under the Mining Act, any regulations made thereunder or any other relevant legislation, we have assumed that Authorisation has been or will be granted in due course;

(d) where any agreement or dealing in a Tenement has been lodged for registration but is not yet registered, we express no opinion as to whether the registration will be effected, or the consequences of non-registration;

(e) we express no opinion as to whether an application for a Tenement will ultimately be granted;

(f) we have assumed that the Company has complied with all applicable provisions of the Mining Act and all other legislation relating to the Tenements and the Agreements;

(g) we have not researched the underlying land tenure in respect of the Tenements to determine if native title rights have or have not been extinguished, or the extent of any extinguishment;

(h) we have not undertaken the extensive research necessary to establish if native title claims may be made in the future over the area of the Tenements;

(i) we have not researched the area of the Tenements to determine if there are any registered or unregistered sites of significance to aboriginal people within the area;

(j) other than as noted in the Schedule, we are instructed by the Company that there are no plaints or legal proceedings of any nature commenced or threatened in respect of the Tenements;

(k) we have assumed the only material contracts of which we have knowledge are the Agreements;

(l) we have assumed that the seals and signatures on Agreements are authentic and were within the capacity and powers of, and were validly authorised, executed and delivered by and are binding on the parties to each of them and constitute the entire agreement of the parties to each of them;

(m) we have assumed that the copies of all of the Agreements supplied to us were complete and conformed with the original agreements and that all stamp duty and other taxes or registration have been paid or effected; and

(n) this Report relates solely to the laws of Western Australia at the date of this letter and we have made no investigations of the laws of any other jurisdiction.

## 3 Tenements

The Tenements comprise exploration licences, mining leases and prospecting licences granted or applied for under the Mining Act.

Significant amendments to the Mining Act (***Amendments***) come into operation on 10 and 11 February 2006. The Amendments fundamentally affect the administration of mining tenements in Western Australia.

The exploration licences listed in the Schedule (being granted or applied for prior to the Amendment) have an initial term of 5 years from the date of grant, and may on application, be extended for two further periods of 1 or 2 years. Beyond those extensions, additional 1 year extensions are available under exceptional circumstances. At the expiry of the 3rd and 4th years of the term of an existing exploration licence, not less than half of the area of that exploration licence must be relinquished unless an exemption is granted. The Amendments provide for longer extensions for exploration licences applied for after the commencement of the Amendments and for a once only 40% compulsory reduction of the area at the end of the 5th year of the exploration licence.

Ministerial consent is required under the Mining Act before any legal or equitable interest in an exploration licence can be created or dealt with during the first year of the term of the licence.

The Mining Act gives the holder of an exploration licence the right to apply for a mining lease (or mining leases) over the area the subject of the exploration licence. The grant of any mining lease is subject to compliance with the Mining Act. A mining lease may only be applied for over land where, at minimum, a mineral resource (not to JORC Standard) exists.

Mining leases are granted for a period of 21 years (from the date grant is notified by the Minister to applicant for the mining lease) and may be renewed for successive periods of 21 years. Ministerial consent is required under the Mining Act before any legal or equitable interest in a mining lease can be created or dealt with.

Prospecting licences are granted for a period of 4 years. The prospecting licences listed in the schedule (being granted or applied for prior to the Amendments) are not renewable.

The holder of a prospecting licence may apply to convert the prospecting licence to a mining lease subject to compliance with the Mining Act. The ability to convert a prospecting licence to a mining lease will be limited by the requirement to, at minimum, demonstrate a mineral resource (not to JORC Standard) exists.

The Schedule sets out a brief description of the Tenements and a summary of any encumbrances and material conditions of an unusual nature.

In relation to the Schedule, we make the following comments:

(a) references to the areas of the Tenements are taken from the details shown on the searches, it is not possible to verify those areas without conducting a survey which has not been undertaken;

(b) exploration licences are measured by graticular blocks which, depending on where the licence is located, range in area from approximately 2.8 $km^2$ to 3.3$km^2$; and

(c) the rights of a holder of the Tenements is subject to compliance by that holder with the terms and conditions under the Mining Act and regulations made thereunder and the conditions specifically set out in the grant of the relevant Tenement.

## 4 Native Title

In *Mabo v Queensland (No 2)* (1992 175 CLR 1) the Australian common law recognised a form of native title giving Aboriginal people certain rights to their traditional lands. The rights recognised in native title may vary from place to place and from people to people but in each case will originate in customary rights and the Aboriginal group claiming the rights must have maintained a traditional connection with the land.

Native title rights may be extinguished voluntarily or by legislative or executive action inconsistent with the native title such as the grant of a freehold interest in land. Native title may also be partially extinguished by the grant of rights over native title land not wholly inconsistent with native title rights. Where native title has been partially extinguished, it will co-exist with other rights to the land.

The *Native Title Act 1993* (Cth) (***Native Title Act***) was enacted in response to the common law recognition of native title. Among other things, the Native Title Act:

(a) provides a procedure for the recognition of native title claims in the Federal Court;

(b) confirms the validity of titles granted by the Federal Government prior to the commencement of the Native Title Act and provides for the States and Territories to validate such titles; and

(c) specifies the procedure for the grant of mining tenements which may affect native title rights.

The Native Title Act was amended in 1998 by the *Native Title Amendment Act 1998*. The amendments included the validation of any titles that may have been invalidly granted over pastoral leases and certain other leasehold interests during the period 1 January 1994 to 23 December 1996. The Western Australian Parliament has enacted the *Titles (Validation) and Native Title (Effect of Past Acts) Act 1995* which adopts the Native Title Act in Western Australia.

## 5 Native Title Claims

A person claiming to hold native title may lodge an application for determination of native title with the Federal Court. If the claim satisfies the registration test set out in the Native Title Act (***Registration Test***) it will be entered on the Register of Native Title Claims maintained by the NNTT. Registered claimants are afforded certain procedural rights, including the "right to negotiate". Claims which fail the Registration Test are, nevertheless heard by the Federal Court.

Claims affecting the Tenements have been noted in the Schedule.

The fact a claim has been lodged does not necessarily mean that native title exists over the area claimed, nor does the absence of a claim necessarily indicate that no native title exists over that area. The existence of native title will be established in due course as the claims are determined by the Federal Court.

## 6 Validity of titles

Under the Titles *(Validation) and Native Title (Effect of Past Acts) Act 1995,* the State validated mining tenements granted prior to 1 January 1994.

Under the Native Title Act, and subject to certain exceptions, the grant of a mining tenement on or after 1 January 1994 that affects native title is a "future act". The State passed the *Titles Validation Amendment Act 1999* to confirm the validity of mining tenements granted between 1 January 1994 and 23 December 1996 provided that certain requirements of the Native Title Act were complied with.

Mining tenements granted after 23 December 1996 that affect native title will be valid only if the applicable processes of the Native Title Act have been complied with. We understand that such processes have been complied with but have not undertaken independent enquiries to confirm this is the case.

## 7 Future Grant of Mining Tenements

The Federal Court must determine that native title exists before the extent the grant of a mining tenement impacts on native title can be established. Few such determinations have been made, however the valid grant of a mining tenement can be achieved if the processes of the Native Title Act and applicable State procedures are complied with. In most instances (other than the grant of certain low impact or infrastructure titles) the primary procedure is the "right to negotiate" process. The right to negotiate process need not be complied with if an indigenous land use agreement (***ILUA***) is negotiated with the relevant Aboriginal body. In such cases, the procedure for the grant of a mining tenement will be set out in the ILUA.

The right to negotiate process involves the notification and advertising of a proposed grant and negotiation between the native title claimants, tenement applicant and the State. If agreement on the tenement application cannot be reached, the NNTT may determine the tenement application.

Some of the Tenements are applications. The State has implemented a procedure to facilitate the grant of exploration and prospecting licences outside of the right to negotiate procedure if the tenement applicant is willing to enter into a standard heritage protection agreement. The procedure is likely to be available to the Company in respect of its applications for exploration and prospecting licences. Applicants for exploration titles that do not fall within the State's standard heritage protection agreement areas, and applicants for mining leases must comply with the right to negotiate process to achieve the grant of those tenements.

## 8 Aboriginal Heritage

Sites that may be of spiritual, cultural or heritage significance to Aboriginal persons may be protected by the *Aboriginal Heritage Act 1972* (***Heritage Act***).

The Heritage Act makes it an offence to alter or damage a site of significance to Aboriginal people. The Heritage Act provides for but does not compel the registration of such sites. It is an obligation of a party disturbing any area of the state to ensure it does not disturb such a site.

We have not undertaken any searches or investigations as to whether there are or may be any sites protected by the Heritage Act within the area of the Tenements. It is common practice for an explorer to undertake surveys of any area that may host such sites prior to carrying out any ground disturbing activity.

## 9 Material Agreements

### 9.1 88 Creek Project

The 88 Creek Project comprises two exploration licences held in the name of Striker Resources NL (now known as North Australian Diamonds Ltd) (***North Australian***).

By way of the Farm-in Joint Venture Heads of Agreement dated 9 December 2005 between the Company and North Australian (***88 Creek Farmin Agreement***) the Company may earn a 51% interest in exploration licences 80/2504 and 80/2753 (***88 Creek Tenements***) (with the exception of the rights to take diamonds) by spending $700,000 drilling a minimum 1,000m in two or more exploration holes. Upon earning its 51% interest, the Company and North Australian will associate in a joint venture and contribute to ongoing expenditure in accordance with their joint venture interests. The 88 Creek Farmin Agreement is conditional upon the Company being admitted to the official list of the ASX before 30 April 2006.

By the 88 Creek Farmin Agreement, North Australian grants the Company a first right of refusal (on the same terms as the 88 Creek Farmin-Agreement) to all tenements held by North Australian within a 50km radius of the 88 Creek Tenements.

North Australian retains the right to explore for and remove diamonds from the 88 Creek Tenements.

### 9.2 Comet Project

(a) Comet-Webb's Patch Sale Agreement

The Company and Big Bell Gold Operations Pty Ltd (***Big Bell***) are parties to the Tenement Sale Agreement dated 24 March 2005 (***Comet-Webb's Patch Sale Agreement***) affecting the tenements as noted in the Schedule (***Big Bell Tenements***). The Comet-Webb's Patch Sale Agreement provides for the sale of the Big Bell Tenements to Alloy upon the fulfilment of certain conditions subsequent including the consent to the sale of the Minister for State Development, the listing of Alloy on the official list of the ASX and any necessary shareholder approvals. Conditional consent of the Minister to the transfer was obtained on 22 April 2005.

Consideration under the Comet-Webb's Patch Sale Agreement comprises staged payments totalling $1,250,000, the issue of 5,000,000 shares in the capital of the Company at $0.20 per share and a royalty of $5 per ounce of gold produced from the Big Bell Tenements capped at 200,000 ounces.

By letter dated 16 October 2000, Big Bell offered to pay to Kay Nominees Pty Ltd (***Kay***) a royalty of 1% of gold production capped at $450,000 (***Kay Royalty Letter***). The Kay Royalty Letter affects several tenements within the Comet Project as noted on the Schedule.

Any obligations to pay royalties under the Kay Royalty Letter are to be assumed by the Company and novated by Big Bell to the Company under the terms of the Comet-Webb's Patch Sale Agreement.

(b) Anglo Farm-in and Joint Venture

The Company and Anglo Australian Resources NL (***Anglo***) are parties to the Farm-in and Joint Venture Heads of Agreement dated 7 September 2005 affecting application for exploration licence 21/115. The agreement is conditional upon the grant of E21/115 by 31 December 2006 unless that condition precedent is waived by the Company.

Should the agreement become unconditional, the Company and Anglo will associate in a joint venture whereby the Company may sole fund exploration totalling $150,000 within 3 years of the commencement of the agreement to earn a 60% joint venture interest. Once the 60% interest is earned, the parties will contribute to ongoing expenditure in respect of their joint venture interests.

### 9.3 Horse Well Project

The Horse Well Project comprises one tenement held in the name of Eskay Resources Pty Ltd (***Eskay***). The Company holds an option to purchase all of the shares in Eskay from their current owner, Dohn Taylor, by way of an Option Agreement dated 17 January 2005. The option may be exercised at any time up to 17 May 2006 at the election of the Company. The consideration payable on exercise of the option is $350,000.

The Company will exercise the option upon completion of the capital raising contemplated by the Prospectus.

### 9.4 Underwriting agreement

The material terms of the underwriting agreement are set out in Section 11 of the Prospectus.

### 9.5 Fraserview Convertible Note

The material terms of the Fraserview Convertible Note are set out in Section 11 of the Prospectus.

## 10 Consent

Wright Legal have consented to the inclusion of this Report in the Prospectus in the form and context in which it is included and have not withdrawn that consent before the lodgement of the Prospectus with ASIC.

Yours faithfully

Wright Legal

Wright Legal

WRIGHT
LEGAL

## SCHEDULE – Tenements

| Tenement | Holder/ Applicant | Shares Held | Status | Grant Date | Expiry Date | Area | Rent | Expenditure Commitment | Registered Encumbrances | Notes |
|---|---|---|---|---|---|---|---|---|---|---|
| 88 Creek Project | | | | | | | | | | |
| E80/2504 | Striker | 100/100ths | Live | 23/02/2000 | 22/02/2007 | 69 bl. | $6,997.98 | $62,100 | | 1, 2, 11, 16 |
| E80/2753 | Striker | 100/100ths | Live | 15/03/2002 | 14/03/2007 | 28 bl. | $2,839.76 | $33,300 | | 1, 2, 11, 16 |
| Comet Project | | | | | | | | | | |
| E20/531 | Big Bell | 100/100ths | Pending | Applied for 24/10/2001 | | 22 bl. | N/A | N/A | | 3, 9, 13, 17 |
| E21/110 | Big Bell | 100/100ths | Live | 2/08/2002 | 1/08/2007 | 1 bl. | $244.31 | $10,000 | | 9, 13, 17 |
| E21/115 | Anglo | 100/100ths | Pending | Applied for 18/07/2002 | | 4 bl. | N/A | N/A | | 3, 12, 17 |
| E21/121 | Alloy | 100/100ths | Pending | Applied for 13/06/2005 | | 15 bl. | N/A | N/A | | 3, 17 |
| M20/508 | Big Bell | 100/100ths | Pending | Applied for 27/05/2005 | | 375.6ha | N/A | N/A | | 4, 9, 13, 17 |
| M21/8 | Big Bell | 100/100ths | Live | 16/05/1986 | 15/05/2007 | 47.68ha | $644.16 | $10,000 | Agt 471H/878 | 5, 6, 9, 13, 17 |
| M21/67 | Big Bell | 100/100ths | Live | 17/12/1990 | 16/12/2011 | 128ha | $1,717.76 | $12,800 | Agt 103H/912 | 9, 10, 13, 17 |
| M21/68 | Big Bell | 100/100ths | Live | 4/02/1991 | 3/02/2012 | 34ha | $456.28 | $10,000 | Agt 103H/912 | 9, 10, 13, 17 |
| M21/71 | Big Bell | 100/100ths | Live | 12/03/1991 | 11/03/2012 | 48.25ha | $657.58 | $10,000 | Agt 103H/912 | 9, 10, 13, 17 |
| M21/72 | Big Bell | 100/100ths | Live | 2/09/1991 | 1/09/2012 | 745.3ha | $10,011.32 | $74,600 | | 5, 7, 8, 9, 13, 17 |
| M21/80 | Big Bell | 100/100ths | Live | 1/07/1993 | 30/06/2014 | 702ha | $9,420.84 | $70,200 | | 9, 10, 13, 17 |
| M21/81 | Big Bell | 100/100ths | Live | 1/07/1993 | 30/06/2014 | 1,000ha | $13,420.00 | $100,000 | | 9, 10, 13, 17 |
| M21/88 | Big Bell | 100/100ths | Live | 25/01/1995 | 24/01/2016 | 40ha | $536.80 | $10,000 | | 9, 10, 13, 17 |
| M21/164 | Big Bell | 100/100ths | Pending | Applied for 27/05/2005 | | 692.9ha | N/A | N/A | | 4, 9, 13, 17 |
| P20/1931 | Alloy | 100/100ths | Pending | Applied for 23/06/2005 | | 31.45ha | N/A | N/A | | 17 |
| P21/621 | Kay | 100/100ths | Live | 25/10/2005 | 24/10/2009 | 80ha | $149.60 | $3,200 | Misc Entry | 9, 10, 15, 17 |
| P21/629 | Big Bell | 100/100ths | Live | 17/09/2004 | 16/9/2008 | 22ha | $41.14 | $2,000 | | 9, 13, 17 |
| P21/641 | Alloy | 100/100ths | Pending | Applied for 23/06/2005 | | 38.21ha | N/A | N/A | | 17 |
| P21/642 | Alloy | 100/100ths | Pending | Applied for 23/06/2005 | | 98.66ha | N/A | N/A | | 17 |
| Horse Well Project | | | | | | | | | | |
| E69/1772 | Eskay | 50,000/ 50,000ths | Live | 2/06/2005 | 1/06/2010 | 70 bl. | $7,099.40 | $63,000 | | 14, 18 |

| Tenement | Holder/ Applicant | Shares Held | Status | Grant Date | Expiry Date | Area | Rent | Expenditure Commitment | Registered Encumbrances | Notes |
|---|---|---|---|---|---|---|---|---|---|---|
| Doyle's Dam Project | | | | | | | | | | |
| P16/2270 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 200ha | N/A | N/A | | 19 |
| P16/2271 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 200ha | N/A | N/A | | 19 |
| P16/2272 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 200ha | N/A | N/A | | 19 |
| P16/2273 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 183ha | N/A | N/A | | 19 |
| P16/2274 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 190ha | N/A | N/A | | 19 |
| P16/2275 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 189ha | N/A | N/A | | 19 |
| P16/2276 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 196ha | N/A | N/A | | 19 |
| P16/2277 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 198ha | N/A | N/A | | 19 |
| P16/2278 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 196ha | N/A | N/A | | 19 |
| P16/2279 | Alloy | 100/100ths | Pending | Applied for 6/09/2004 | | 159ha | N/A | N/A | | 19 |

## Key

Alloy = Alloy Resources Ltd
Anglo = Anglo Australian Resources NL
Big Bell = Big Bell Gold Operations Pty Ltd
Eskay = Eskay Resources Pty Ltd
Kay = Kay Nominees Pty Ltd
Striker = Striker Resources NL (now North Australian Diamonds Ltd)

## Registered Encumbrances

Agt 471H/878 — Agreement (Sale or Sale and Purchase) between Consolidated Resources NL and Hannans Gold Ltd registered 21 March 1988.

Agt 103H/912 — Agreement (Joint Venture) between Hannans Gold Ltd, Wardong Nominees Pty Ltd, Elisabeth Rabanos White, Geoffrey Harold White and Peter Dawson registered 30 October 1991.

Misc Entry — A "Miscellaneous Entry" is endorsed as an encumbrance on this tenement stating that no further dealings are to be registered without the consent of KordaMentha (Liquidator).

## Notes

Each granted tenement is subject to standard conditions requiring the holder to obtain the consent of the relevant officer of the Department of Industry and Resources (***Department***) prior to conducting any ground disturbing work and basic environmental and rehabilitation conditions for minor disturbances. The following specific conditions attach to tenements as indicated.

1. This tenement encroaches upon Use and Benefit of Aboriginal Reserve 13873. The Minister has given his consent to conduct work on the tenement on the condition that any non-aboriginal employee, contractor or agent obtains a permit to enter the reserve.
2. This tenement is subject to a requirement to lodge an unconditional performance bond in the sum of $10,000 (lodged in the form of a security) to guarantee performance of the licencee's environmental rehabilitation obligations.
3. This application has been recommended for grant.
4. The applicants for the Yugunga Nya Native Title Claim have lodged an objection to this application under to the *Mining Act 1978* (***Act***).
5. Various mining proposals and notices of intent have been lodged in respect of operations to be carried out on this tenement. The Lessee must carry out its activities in accordance with those documents, in addition to a series of specific conditions attached to the lease ensuring the protection of the environment, the safe development of the mine, ongoing monitoring of the affected environment (eg groundwater), the complete rehabilitation of the area at the conclusion of operations and the lodgement of regular reports on mining activities with the Department.
6. This tenement is subject to a requirement to lodge an unconditional performance bond in the sum of $46,000 to guarantee performance of the lessee's environmental rehabilitation obligations.
7. This tenement is subject to reserves (including Hospital Reserve 16324, School Reserve 16325, Recreational Reserve 16328, Water Reserve 16706 and Fire Brigade Reserve 16327). No mining is permitted on the reserves without the prior consent of the Minister.
8. This tenement is subject to a requirement to lodge an unconditional performance bond in the sum of $95,000 to guarantee performance of the lessee's environmental rehabilitation obligations.
9. Tenement is subject to the Big Bell Sale Agreement as set out in section 8 of the Solicitors' Report.
10. Tenement is Subject to the obligation to pay a royalty under the Kay Royalty Agreement as set out in section 9.2(ii) of the Solicitors' Report.
11. Alloy's rights to earn an interest in this tenement is set out in section 9.1 of the Solicitors' Report.
12. Alloy's rights to earn an interest in this tenement is set out in section 9.2(b) of the Solicitors' Report.
13. Alloy's rights to earn an interest in this tenement is set out in section 9.2(a) of the Solicitors' Report.
14. Alloy's rights to earn an interest in this tenement is set out in section 9.3 of the Solicitors' Report.
15. Alloy's rights to earn an interest in this tenement is set out in sections 9.2(a) and 9.2(a)(ii) of the Solicitors' Report.
16. This tenement is subject to the Balanggarra (Combination) (WAD6027/98; WC99/47) registered native title claim.
17. This tenement is subject to the Wutha (WAD6064/98; WC99/10) and Yugunga-Nya People (WAD6132/98; WC99/46) registered native title claims.
18. This tenement is subject to the Wiluna (WAD6164/98; WC99/24) registered native title claim.
19. This tenement is subject to the Gubrun (WAD2/98; WC95/27) deregistered native title claim and the Central West Goldfields People (WAD65/98; WC99/29) registered native title claim.

KPMG

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# 9 Investigating Accountants' Report

13 February 2006

The Directors
Alloy Resources Limited
GPO Box 1078
West Perth WA 6872

Dear Sirs

## Introduction

This report has been prepared by KPMG for inclusion in the Prospectus to be dated February 2006, and to be issued by Alloy Resources Limited ("Alloy"), in respect of the proposed underwritten issue of 25 million shares in Alloy at 20 cents per share, together with one free attaching option per share issued with the right to accept oversubscriptions of up to a further 10,000,000 shares and options.

Expressions defined in the Prospectus have the same meaning in this report.

## Financial information

KPMG has been requested to prepare a report covering the historical and pro forma financial information described below and disclosed in the Prospectus.

### Historical financial information

The historical financial information, as set out in Section 10 of the Prospectus, comprises the:

- statement of financial position of Alloy as at 30 September 2005; and
- notes to the financial statements.

The historical financial information set out in Section 10 of the Prospectus has been extracted from the management accounts of Alloy for the period ending 30 September 2005.

The Directors of Alloy are responsible for the preparation and presentation of the historical financial information.

The historical financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act 2001 ("Corporations Act").

### Pro forma historical financial information

The pro forma historical financial information, as set out in section 10 of the Prospectus, comprises the pro forma, unaudited:

- statement of financial position of Alloy as at 30 September 2005; and
- notes to the pro forma, unaudited financial statements.

The pro forma historical financial information has been derived from the historical financial information after adjusting for the pro forma transactions and/or adjustments described in Section 10 of the Prospectus.

The directors of Alloy are responsible for the preparation and presentation of the pro forma historical financial information, including the determination of the pro forma transactions and/or adjustments.

The pro forma historical financial information is presented in an abbreviated form insofar as it does not include all of the disclosures required by the Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

## Scope

### Review of historical financial information

We have reviewed the historical financial information in order to report whether anything has come to our attention which causes us to believe that the historical financial information, as set out in Section 10 of the Prospectus, does not present fairly:

- the historical statement of financial position of Alloy as at 30 September 2005,

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by Alloy disclosed in Section 10 of the Prospectus.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- analytical procedures on the historical financial information;
- a review of work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Alloy disclosed in section 10 of the Prospectus; and
- enquiry of directors, management and others.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### Review of pro forma historical financial information

We have reviewed the pro forma historical financial information in order to report whether anything has come to our attention which causes us to believe that the pro forma historical financial information, as set out in Section 10 of the Prospectus, has not been presented fairly:

- on the basis of the pro forma transactions and/or adjustments; and
- in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by Alloy disclosed in Section 10 of the Prospectus.

Our review has been conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances, including:

- a review of the pro forma transactions and/or adjustments made to the historical financial information;
- a review of work papers, accounting records and other documents;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by Alloy disclosed in section 10 of the Prospectus; and
- enquiry of directors, management and others.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## Review statements

### Review statement on the historical financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the historical financial information, as set out in Section 10 of the Prospectus, does not present fairly the historical statement of financial position of Alloy as at 30 September 2005, in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by Alloy disclosed in Section 10 of the Prospectus.

### Review statement on the pro forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that the pro forma historical financial information, as set out in Section 10 of the Prospectus, has not been presented fairly:

- on the basis of the pro forma transactions and/or adjustments; and
- in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements, and accounting policies adopted by Alloy disclosed in Section 10 of the Prospectus.

## Independence

KPMG does not have any interest in the outcome of this issue, other than in connection with the preparation of this report for which normal professional fees will be received.

## General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully

Denise P McComish
Partner

# 10 Historical and Pro Forma Financial Information

## 10.1 Historical financial information

The historical financial information for Alloy Resources Limited set out on the following pages comprises:

- the unaudited statement of financial position as at 30 September 2005; and
- the notes to the financial statements.

The historical financial information has been prepared on the basis detailed, and in accordance with the accounting policies set out in Note 1 to the financial statements.



## 10.2 Pro forma financial information

The pro forma financial information set out on the following pages comprises:

- the unaudited statement of financial position as at 30 September 2005;
- notes to the unaudited financial statements; and
- The pro forma unaudited statement of financial position has been derived from the historical statement of financial position adjusted for the following transactions as if they had occurred at 30 September 2005:
    - The conversion of 50% upon listing of the principle amount outstanding under the convertible note. On the basis that no convertible notes are redeemed prior to listing, the conversion of $350,000 convertible notes to 3,500,000 ordinary shares at an issue price of 10 cents;
    - The issue of 25,000,000 Shares at an issue price of 20 cents to raise $5,000,000 together with 25,000,000 free attaching options pursuant to this prospectus. The options are exercisable by the payment of 20 cents each within three years from the date of issue;
    - Acquisition of the Comet-Webb's Patch Project from Big Bell Gold Operations Pty Ltd at a price of $2,200,000 of which $1,200,000 is paid in cash with the balance being payable by the issue of 5,000,000 shares at an issue price of 20 cents each plus associated acquisition costs of $115,000. This acquisition is conditional on the company listing on the ASX;
    - Security (Environmental) Bonds issued as replacements on acquisition of the Comet Project totalling $141,000. This is conditional on the company acquiring the Comet Project;
    - Acquisition of Eskay Resources Pty Limited for $350,000 paid in cash. Fair value of net assets acquired: exploration evaluation expenditure – $350,000. This acquisition is conditional on the company listing on the ASX;
    - The payment and recognition directly in equity, as a reduction of the share proceeds received, of the total costs expected to be incurred in cash in connection with the preparation of the Prospectus of approximately $521,000; and
    - The issue of 2,500,000 shares to the underwriter and its nominees at a fair value of 20 cents each recognised directly in equity as a reduction of the share proceeds received. This issue is conditional upon the company listing on the ASX. The Underwriter and/or its nominees are entitled to purchase Shares at a price of 0.1 cents per Share based on a formula of 1 Share available for purchase for every $2.00 raised by the Underwriter under the Offer. Based on $5,000,000 to be raised by the Underwriter, this amounts to 2,500,000 Shares issued at a fair value of $497,500 and treated as a cost of the Issue. These Shares are to be issued once the Offer has been closed and will be subject to escrow.

ALLOY RESOURCES LIMITED

## Balance Sheet

| | Note | Unaudited 30-Sep-05 $ | Unaudited (Consolidated) Pro forma 30-Sep-05 $ |
|---|---|---|---|
| Cash Assets | 2 | 1,453,130 | 4,128,630 |
| Receivables | | 12,625 | 12,625 |
| Total Current Assets | | 1,465,755 | 4,141,255 |
| **Non- Current Assets** | | | |
| Plant & Equipment | | 1,805 | 1,805 |
| Exploration and evaluation expenditure | 3 | 102,046 | 2,767,046 |
| Other Assets | 4 | – | 141,000 |
| Total Non-Current Assets | | 103,851 | 2,909,851 |
| **Total Assets** | | 1,569,606 | 7,051,106 |
| **Current Liabilities** | | | |
| Other Liabilities | | 51,805 | 51,805 |
| Convertible Note | 6(a) | 658,000 | 308,000 |
| Total Current Liabilities | | 709,805 | 359,805 |
| **Total Liabilities** | | 709,805 | 359,805 |
| **Net Assets** | | 859,801 | 6,691,301 |
| **Equity** | | | |
| Contributed equity | 5 | 911,210 | 6,742,710 |
| Reserves | 6 | 42,000 | 42,000 |
| Accumulated losses | | (93,409) | (93,409) |
| **Total Equity** | | 859,801 | 6,691,301 |

The unaudited consolidated pro forma Balance Sheet as at 30 September 2005 represents the unaudited consolidated Balance Sheet as at that date adjusted for the transactions discussed in Section 10.2 of this Prospectus. The Balance Sheets are to be read in conjunction with the notes set out in this section.

ALLOY RESOURCES LIMITED

# Notes to and forming part of the Financial Statements

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of the historical and pro forma historical financial information (collectively referred to as the "financial statements") are:

### (a) Basis of preparation

The financial information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") as generally applied in Australia for the purposes of inclusion in a prospectus.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS").

They have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial information has been prepared on the basis of AIFRSs in issue that are effective at the company's first AIFRS annual reporting date, 30 June 2006.

No material adjustments have arisen against previously reported balances on the transition from previous GAAP to AIFRS.

The Australian Accounting Standards and UIG Interpretations that will be effective in the annual financial statements for the period ended 30 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The accounting policies have been consistently applied, unless otherwise stated.

The Company was incorporated on 2 June 2004.

#### Statement of Compliance

The financial information complies with the recognition and measurement (but not the disclosure) requirements of AIFRS. This ensures that the financial information complies (except for disclosure) with the requirements of International Financial Reporting Standards ('IFRS').

The disclosure requirements of applicable Accounting Standards and Urgent Issues Group Interpretations have only been applied as considered necessary.

### (b) Basis of consolidation

#### Subsidiaries

The pro forma consolidated financial statements of the consolidated entity include the financial statements of the Company, being the parent entity, and its subsidiary entity ("the consolidated entity"). A subsidiary is an entity controlled by the Company.

Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statement of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

ALLOY RESOURCES LIMITED

## Notes to and forming part of the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Revenue recognition

Interest revenue is recognised as it accrues taking into effect the effective yield on the financial asset.

#### (d) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (e) Exploration and evaluation expenditure

Exploration and evaluation costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities are continuing in the area of interest and activities have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Where an area of interest is abandoned, any accumulated costs in respect of that area are written off in the financial period the decision is made.

#### (f) Payables

Trade and other payables are stated at cost.

#### (g) Receivables

Receivables are stated at their costs less impairment losses. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred.

#### (h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are started with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the ATO, are classified as operating cash flows.

ALLOY RESOURCES LIMITED

## Notes to and forming part of the Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Impairment

The carrying amounts of the consolidated entity's assets, other than deferred tax assets (see accounting policy d), 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.

#### (j) Acquisition of assets

All assets acquired, including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

#### (k) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current period for plant and equipment is 5 years.

The residual value, if not insignificant, is reassessed annually.

#### (l) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments.

#### (m) 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.

#### (n) Share Capital Transaction Costs

Transaction costs of an equity transaction are accounted for as a deduction from equity, not of any related income tax benefit.

#### (o) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks.

ALLOY RESOURCES LIMITED

## Notes to and forming part of the Financial Statements

| | | *Unaudited* | *Unaudited (Consolidated) Pro forma* |
|---|---|---|---|
| | | *30-Sep-05* | *30-Sep-05* |
| | | *$* | *$* |
| **2.** | **CASH ASSETS** | | |
| | Cash at bank and on hand | 1,453,130 | 4,128,630 |
| | Adjustments arising in the preparation of the pro forma cash balance are summarised as follow: | | |
| | Balance as at 30 September 2005 | | 1,453,130 |
| | Proceeds from issue of 25,000,000 Shares pursuant to this Prospectus | | 5,000,000 |
| | Payment of estimated costs of the offer | | (521,000) |
| | Comet Project Acquisition | | (1,315,000) |
| | Eskay Resources Pty Ltd Acquisition | | (350,000) |
| | Security Bonds | | (141,000) |
| | Promoter Shares Issued | | 2,500 |
| | Unaudited pro forma balance as at 30 September 2005 | | 4,128,630 |
| **3.** | **EXPLORATION AND EVALUATION EXPENDITURE** | | |
| | Exploration and evaluation expenditure | 102,046 | 2,767,046 |

The ultimate recoupment of the costs carried forward of the areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

There may exist, on the exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people or areas subject to reserves. As a result, exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

| | | | |
|---|---|---|---|
| **4.** | **OTHER ASSETS** | | |
| | Security Bonds | – | 141,000 |

Security bonds are in respect of obligations attaching to mining and exploration tenements.

ALLOY RESOURCES LIMITED

## Notes to and forming part of the Financial Statements

| | Unaudited 30-Sep-05 Number of Shares | Unaudited (Consolidated) Pro forma 30-Sep-05 Number of Shares |
|---|---|---|
| **5. CONTRIBUTED EQUITY** | | |
| **Share Capital** | | |
| Fully paid | | |
| – 15,250,000 Shares (proforma 58,300,000 shares) | 22,300,000 | 58,300,000 |
| *Proforma adjustments:* | | |
| Options on issue<br>25,000,000 Options exercisable at 20 cents each within three years from the date of issue. | | |

| **Reconciliation of contributed equity** | Number of Shares | Issued Capital $ |
|---|---|---|
| Issued Share Capital | | |
| Balance at incorporation | | |
| Issue of 1 Share at $1.00 each (29 December 2004) | 1 | 1 |
| Issue of 12,749,999 Shares at 0.5 cents each (29 December 2004) | 12,749,999 | 63,750 |
| Issue of 2,500,000 Shares at 10.0 cents each (17 January 2005) | 2,500,000 | 250,000 |
| Issue of 500,000 Share at 0.5 cents each (15 September 2005) | 500,000 | 2,500 |
| Issue of 6,550,000 Shares at 10 cents each (15 September 2005) | 6,550,000 | 655,000 |
| Total share issue costs | – | (60,041) |
| Total Issued Share Capital at 30 September 2005 | 22,300,000 | 911,210 |
| *Proforma adjustments:* | | |
| Issue of 2,500,000 promoter shares at 20 cents each pursuant to this Prospectus. | 2,500,000 | 500,000 |
| Issue of 3,500,000 Shares at 10 cents each to redeem convertible notes pursuant to this Prospectus (refer to note 6 (a)) | 3,500,000 | 350,000 |
| Issue of 25,000,000 Shares at 20 cents each pursuant to this Prospectus | 25,000,000 | 5,000,000 |
| Issue of 5,000,000 Shares at 20 cents each being for the acquisition of the Comet Project pursuant to this Prospectus | 5,000,000 | 1,000,000 |
| Estimated total share issue costs of this Offer: | | |
| Cash | | (521,000) |
| Shares issued to promoters | | (497,500) |
| | 58,300,000 | 6,742,710 |

The issue of 2,500,000 shares to KTM Capital or its nominee will be subject to a 2 year voluntary escrow period from the date of issue.

**Terms and conditions**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of the company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

## Notes to and forming part of the Financial Statements

| | | *Unaudited* 30-Sep-05 $ | *Unaudited (Consolidated) Pro forma* 30-Sep-05 $ |
|---|---|---|---|
| **6. RESERVES** | | | |
| Equity Conversion Reserve | (a) | 42,000 | 42,000 |
| **(a) Redeemable convertible note** | | | |
| *Movements during the year* | | | |
| Balance at beginning of the year | | – | – |
| Equity portion of redeemable convertible note issued | | 42,000 | 42,000 |
| Balance at end of year | | 42,000 | 42,000 |

On 15 September 2005 the Company issued a convertible note. The note has a face value of $700,000 and is convertible into 7,000,000 ordinary shares at 10 cents per share at the election of this note holder. The interest rate applicable is 10% per annum. The note is 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.

Conversion of 50% of the principal amount outstanding is mandatory on listing.

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(m):

The convertible note has been accounted for as follows:

| | | |
|---|---|---|
| Convertible note proceeds | 700,000 | 700,000 |
| Equity conversion reserve | (42,000) | (42,000) |
| | 658,000 | 658,000 |
| Converted to equity | – | (350,000) |
| Non-current interest bearing liability | 658,000 | 308,000 |

**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.

## Notes to and forming part of the Financial Statements



### 7. RELATED PARTIES

#### (i) Directors

The Directors in office at the date of this Prospectus are:

| | |
|---|---|
| Peter Harold – Chairman | (Appointed on 15 September 2005) |
| Jayson Meyers – Managing Director | (Appointed on 2 June 2004) |
| Peter Hepburn-Brown – Non Executive Director | (Appointed on 2 June 2004) |
| Kevin Hart – Non Executive Director | (Appointed on 2 June 2004) |

#### (ii) Directors' interests in shares

No Director at the date of this Prospectus has a relevant interest in any securities of the Company other than as set out below:

| | Unaudited 30-Sep-05 Shares | Unaudited (Consolidated) Pro forma 30-Sep-05 Shares |
|---|---|---|
| Peter Harold | 500,000 | 500,000 |
| Jayson Meyers | 4,000,000 | 4,000,000 |
| Peter Hepburn-Brown | 4,000,000 | 4,000,000 |
| Kevin Hart | 1,000,000 | 1,000,000 |
| Total | 9,500,000 | 9,500,000 |

#### (iii) Directors transactions with the Company and its controlled entity

Dr Jayson Meyers has an interest as a director in Resource Potentials Pty Ltd. This firm provides Geophysical consulting, Geological & Geochemical Database Management services to the company in the ordinary course of business. The value of the transactions in the period to listing amount to $16,864.

Dr Jayson Meyers as a director of Resource Potentials Pty Ltd has outstanding liabilities owing from the Company of $15,448.

Dr Jayson Meyers has outstanding liabilities owing from the Company of $17,783 in respect of general office and administrative costs.

Dr Jayson Meyers contributed two separate loans amounts of $7,500 and $12,500 respectively. These loans were settled by the issue of 4,000,000 shares at 0.5 cents per share prior to the 30 September 2005.

Mr Peter Hepburn-Brown loaned the Company $50,000. This loan was settled by the issue of 500,000 shares at 10 cents each prior to 30 September 2005.

Mr Kevin Hart has an interest as a partner in a chartered accounting firm, Endeavour Corporate. This firm provides company secretarial and accounting services to the company in the ordinary course of business. The value of transactions in the period up to listing amount to $10,000.

#### (iv) Proposed annual Directors' fees on listing

| | |
|---|---|
| Peter Harold | $30,000 |
| Jayson Meyers | $35,000 |
| Peter Hepburn-Brown | $35,000 |
| Kevin Hart | $30,000 |

ALLOY RESOURCES LIMITED

## Notes to and forming part of the Financial Statements

### 8. COMMITMENTS

In order to maintain an interest in the mining and exploration tenements in which the Company is involved, the Company is committed to meet the conditions under which the tenements were granted and the obligations of the Company are subject to minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest.

| | Unaudited 30-Sep-05 $ | Unaudited (Consolidated) Pro forma 30-Sep-05 $ |
|---|---|---|
| The expenditure commitments on the Company's properties are as follows: | | |
| Minimum exploration expenditure year 1 | – | 576,537 |
| Minimum exploration expenditure year 2 | – | 576,537 |
| | – | 1,153,074 |

### 9. CONTINGENT LIABILITIES

Other than outlined in this section, the Directors do not believe there are any other contingent liabilities other than the costs associated with future drilling programs, development of successful exploration discoveries, costs associated with production and royalties.

The Company has provided specific detail on the title verification process and the risks associated with this process in Section 8 of this Prospectus.

### 10. SUBSEQUENT EVENTS

Subsequent to 30 September 2005, a cash payment of $500,000 has been made under the terms of the acquisition of the Comet-Webb's Patch project from Big Bell Gold Operation Pty Ltd.

# 11 Additional Information

## Corporate Governance

The primary responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of stakeholders. To fulfil this role the Board is responsible for the overall corporate governance of the Company, including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The responsibilities of the Board include:

- Protection and enhancement of Shareholder value.
- Formulation, review and approval of the objectives and strategic direction of the Company.
- Monitoring the financial performance of the Company by reviewing and approving budgets and monitoring results.
- Approving all significant business transactions including acquisitions, divestments and capital expenditure.
- Ensuring that adequate internal control systems and procedures exist and the compliance with these systems and procedures is maintained.
- The identification of significant business risks and ensuring that such risks are adequately managed.
- The review of performance and remuneration of executive directors and key staff.
- The establishment and maintenance of appropriate ethical standards.
- Evaluating and, where appropriate, adopting with or without modification the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

The Board recognises the need for the Company to operate with the highest standards of behaviour and accountability.

Subject to the exceptions outlined below, the Company has adopted the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

| Recommendation Reference ASX Guidelines | Notification of Departure | Explanation for Departure |
|---|---|---|
| 2.1 | No majority independent directors | The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent non-executive Directors.<br><br>The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.<br><br>The Company's Chairman is considered by the Board to be independent in terms of the ASX Corporate Governance Council's definition of independent director. |
| 2.4 | A separate Nomination Committee has not been formed. | The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants will be engaged to identify possible new candidates for the Board. |
| 4.2, 4.3, 4.4 | A separate Audit Committee has not been formed. | The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and review of the operation of the internal control systems. |
| 7.1 | No formal policy on risk oversight and management. | The Board is aware of the various risks of its particular business. The Company is not currently considered to be of a size or its affairs of such complexity to justify the implementation of a formal system. |

| Recommendation Reference ASX Guidelines | Notification of Departure | Explanation for Departure |
|---|---|---|
| 8.1 | No formal process for evaluation of the Board, individual directors and key executives. | Due to the size and structure of the Board, the Company does not have a formal process for performance evaluation of the Board, individual directors and key executives. |
| 9.1, 9.2, 9.3, 9.4 | There is no separate Remuneration Committee.<br>The Company does not have a formal Remuneration Policy. | The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.<br>The current remuneration of Directors is disclosed in Section 11 of this Prospectus. |

As the Company's activities increase in size, scope and/or nature, the Company's corporate governance principles will be reviewed by the Board and amended as appropriate.

## Capital Structure

The pro forma Capital Structure of the Company is set out below to reflect the Issued and Paid Up Capital Structure of the Company based on capital raising of $5,000,000 under this Prospectus, and does not include oversubscriptions to raise up to an additional $2,000,000 under this Prospectus.

| Shares | Number | $ | % equity |
|---|---|---|---|
| Currently on issue | 22,300,000 | $971,250 | 38.2% |
| Now offered for subscription+ | 25,000,000 | $5,000,000 | 42.9% |
| Big Bell Gold Operations Pty Ltd* | 5,000,000 | $1,000,000 ** | 8.6% |
| Fraserview Investments Ltd# | 3,500,000 | $350,000 | 6.0% |
| KTM Capital Pty Ltd and/or nominees++ | 2,500,000 | $500,000 ** | 4.3% |
| Totals: | 58,300,000 | $7,821,250 ## | 100.0% |

\+ This may increase by oversubscription of up to an additional $2,000,000 by issue of up to 10,000,000 additional Fully Paid Shares.

* Vendor Share issue as part of Comet – Webb's Patch sale agreement.

** These amounts represent fair value of Shares at an issue price of $0.20.

\# Mandatory conversion of half of $700,000 convertible note on listing.

++ Shares to be purchased by the Underwriter and/or nominees at 0.1 cents per Share for promoting the Offer, and based on an underwriting of $5,000,000. The final number of Shares issued to the Underwriter and/or nominees may increase by way of oversubscriptions, where 1 additional Share will be available for purchase in respect to every $2.00 raised by the Underwriter under the Offer that is above the $5,000,000 underwriting, up to a maximum of 1,000,000 additional Shares.

## Does not include additional $350,000 of the Fraserview Investments Ltd convertible note that is not subject to Mandatory conversion to Shares on listing

After completion of the Offer the Company will also have on issue 25,000,000 Options to acquire Shares at an exercise price of $0.20 per Option anytime until 3 years after the date of listing. Up to 10,000,000 additional Options may be issued for oversubscriptions. The Company will also have a convertible note issued to Fraserview Investments Ltd convertible at $0.10 per Share with a face value of $350,000 expiring on 15 March 2007.

## Rights Attaching to Shares

Immediately after issue and allotment, the Shares will be fully paid ordinary Shares in the capital of the Company. There will be no liability on the part of Applicants who have been allotted any Offer Shares to pay any calls and the Shares will rank equally in all respects with all Shares currently on issue.

Detailed provisions relating to the rights attaching to the Shares are set out in the Company's constitution and the Corporations Act. A copy of the constitution can be inspected during office hours at the registered office of the

Company. A summary of the rights attaching to the Shares under the constitution and the Corporations Act are summarised below:

Each Share will confer on its holder:

(a) the right to vote at a general meeting of Shareholders (whether present in person or by any representative, proxy or attorney) on a show of hands (one vote per Shareholder) and on a poll (one vote per Share on which there is no money due and payable) subject to the rights and restrictions on voting which may attach to or be imposed on Shares (at present there are none);

(b) the right to receive dividends, according to the amount paid up on the Share;

(c) the right to receive, in kind, the whole or any part of the Company's property in a winding up, subject to priority given to holders of Shares that have not been classified by ASX as "restricted securities" and the rights of a liquidator to distribute surplus assets of the Company (with the consent of members by special resolution); and

(d) subject to the Corporations Act and the Listing Rules, all Shares are fully transferable.

The rights attaching to Shares may be varied with the approval of Shareholders in general meeting by special resolution.

## Option Terms and Conditions

The terms and conditions of the Offer Options are as follows:

i) each Option entitles the holder to subscribe for one Share upon payment of $0.20 cents per Option;

ii) the Options shall lapse at 5.00pm Western Standard Time on the date which is 3 years after the date that the Shares are listed on the ASX;

iii) the Options shall be exercisable wholly or in part by notice in writing to the Company any time until the expiry date on payment of $0.20 cents per Option;

iv) there are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to participate in new issues of capital which may be offered to Shareholders during the currency of the Option. However, Option holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing Shareholders of the Company made during the currency of the Options, and will be granted a period of at least 7 business days before books closing date to exercise the Options;

v) the Company shall, in accordance with Listing Rule 2.8, make application to have the Options listed for Official Quotation;

vi) Shares issues on the exercise of the Options will rank pari-passu with the then existing issued ordinary Shares;

vii) the Company shall in accordance with Listing Rule 2.8, make application to have Shares allotted pursuant to an exercise of Options listed for Official Quotation;

viii) in the event of any re-organisation (including reconstructions, consolidations, subdivision, reduction of capital) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged; and

ix) the Options will not give any right to participate in dividends until Shares are allotted pursuant to the exercise of the relevant Options.

## Fraserview Convertible Note

On 15 September 2005 the Company issued a convertible note to Fraserview Investments Ltd ("Fraserview"). The convertible note has a face value of $700,000, with interest payable at a rate of 10% per annum, and is convertible into Shares at a conversion price of $0.10 per Share. An amount of $350,000 of the convertible note is mandatorily convertible on Official Quotation of the Securities.

The convertible note matures on 15 March 2007.

Otherwise, the convertible note is issued on usual commercial terms.

## Underwriting Agreement

By the Underwriting Agreement dated 10 February, 2006, ("Underwriting Agreement") KTM Capital Pty Ltd ("Underwriter") has agreed to underwrite the Offer of 25,000,000 Offer Securities pursuant to this Prospectus.

The Underwriter may be required by the terms of the Underwriting Agreement to take a number of Shares that results in it acquiring Voting Power of 47.2% (assuming that sufficient subscriptions are obtained to comply with conditions 7 of

ASX Listing Rule 1.1), comprised of 42.9% Offer Shares and an additional 4.3% of Shares to be purchased by the Underwriter and/or its nominees on closing the Offer.

The Underwriter will receive a management fee of 2% of the amount raised by the Company through the Underwriter under the Offer and an underwriting commission of 4% of the amount raised by the Company through the Underwriter under the Offer. The Underwriter will also receive payment of reasonable costs and expenses incurred by the Underwriter in connection with the Offer. The Company will also pay any GST applicable to any fee payable to the Underwriter under the agreement.

The Underwriter may terminate its obligations to satisfy a shortfall if any of the termination events specified in the agreement occur before the Offer Securities are allotted under the Offer. The termination events are qualified by a requirement that before being entitled to terminate, the Underwriter must believe, on reasonable grounds acting bona fide, that the relevant termination event has or is likely to have a materially adverse effect on the Company, or the outcome of the Offer or could give rise to a material liability of the Underwriter.

Events of termination include:

(a) a statement contained in the Prospectus is misleading or deceptive, a matter is omitted from the Prospectus (having regard to the provisions of Sections 710 and 711 of the Corporations Act) or the issue of the Prospectus is misleading or deceptive;

(b) the Prospectus does not contain (having regard to the matters set out in Section 710 of the Corporations Act) all such information as investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the assets, liabilities, financial position and performance, profits, losses and prospects of the Company and the rights attaching to the Offer Securities;

(c) the due diligence report or any other information made available by or on behalf of the Company to the Underwriter in relation to the Offer is misleading or deceptive;

(d) any adverse change occurs in the assets, liabilities, financial position and performance, profits, losses or prospects of the Company including without limitation any adverse change in the assets, liabilities, financial position and performance, profits, losses or prospects of the Company from those respectively disclosed in the Prospectus or public information;

(e) hostilities not presently existing commence (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, a member of the European Union, Canada, Japan, Thailand, Singapore, Malaysia, Hong Kong, North Korea, the Peoples Republic of China or the Commonwealth of Independent States or any of its constituent republics;

(f) the All Ordinaries Index of the ASX remains for 3 consecutive business days at an amount that is at least 10% below the level of that Index as at the close of trading on the business day before the date of this Agreement;

(g) the Small Ordinaries Index of the ASX remains for 3 consecutive business days at an amount that is at least 10% below the level of that Index as at the close of trading on the business day before the date of this Agreement;

(h) the Gold Index of the ASX remains for 3 consecutive business days at an amount that is at least 10% below the level of that Index as at the close of trading on the business day before the date of this Agreement;

(i) the price of gold denominated in USD remains for 3 consecutive business days at an amount that is at least 10% below the level of that Index as at the close of trading on the business day before the date of this Agreement;

(j) the price of gold denominated in AUD remains for 3 consecutive business days at an amount that is at least 10% below the level of that Index as at the close of trading on the business day before the date of this Agreement;

(k) there is introduced or there is announced a proposal to introduce into the Parliament of Australia or any State of Australia a new law or the Reserve Bank of Australia or any Commonwealth or State authority adopts or announces a proposal to adopt a new policy, any of which does or is likely to prohibit or regulate the principal business of the Issuer, the Offer, capital issues generally or stock markets generally;

(l) there occurs a contravention by the Company of the Corporations Act, the Companies Act, its constitution or any of the Listing Rules;

(m) any material adverse change or disruption to the financial markets of Australia, the United States of America or other major international financial markets occurring or any change occurring in national or international political, financial or economic conditions which would make it impractical, in the reasonable judgement of the Underwriter, to market the Securities or to enforce contracts to purchase the Securities or is reasonably likely to materially and adversely affect the success of the Offer;

(n) approval to the quotation of all of the Offer Securities on the ASX is refused, not granted or granted subject to any condition which is unacceptable to the Underwriter (acting reasonably) on or before the date of Official Quotation;

(o) approval is withdrawn or qualified on a basis which the Underwriter considers unacceptable (acting reasonably) before the quotation of all of the Offer Securities on the ASX;

(p) ASIC issues an order or indicates an intention to hold a hearing arising out of or in connection with the Offer under Section 739 of the Corporations Act or ASIC commences an examination of any person or requires any person to produce documents arising out of or in connection with the Offer or the Issuer under Sections 19 or 30 to 33 of the Australian Securities and Investments Commission Act, unless as a result of that order, the Company agrees with ASIC to lodge a supplementary or replacement document in a form reasonably acceptable to the Underwriter;

(q) an application is made by ASIC for an order under Section 1324B of the Corporations Act in relation to the Prospectus, unless as a result of that order, the Company agrees with ASIC to lodge a supplementary or replacement document in a form reasonably acceptable to the Underwriter;

(r) any of the material contracts are varied without the Underwriter's prior written consent, such consent not to be unreasonably withheld or delayed;

(s) any of the material contracts are repudiated, rescinded or terminated without the Underwriter's prior written consent, such consent not to be unreasonably withheld or delayed;

(t) at any time after the date of the Underwriting Agreement:

  (i) there occurs a significant change affecting any matter contained in the Prospectus, as envisaged in Sections 719 and 724 of the Corporations Act;

  (ii) there arises a significant new matter, the inclusion in the Prospectus of information about which would have been required by Chapters 6D and 7.9 of the Corporations Act if it had arisen when the Prospectus was prepared, as envisaged in Sections 719 and 724 of the Corporations Act;

  (iii) an event occurs in relation to the Company, as set out in Sections 652C(1) and (2) of the Corporations Act, which is materially adverse from the point of view of an investor unless the Company issues a supplementary or replacement Prospectus in a form reasonably acceptable to the Underwriter ;

(u) at any time after the date of this Agreement the Company withdraws the Prospectus;

(v) a director of the Company is charged with an indictable offence;

(w) any person (other than the Underwriter) gives a notice under Section 733(3) of the Corporations Act or any person (other than the Underwriter) who has previously consented to the inclusion of its name in the Prospectus or to be named in the Prospectus withdraws that consent;

(x) there is a default by the Company in the performance of any of its material obligations under the Underwriting Agreement;

(y) a representation or warranty made or given or deemed to have been made or given by the Company under the Underwriting Agreement proving to have been untrue or incorrect in any material respect and the matters rendering the representation or warranty untrue in such respect are not remedied to the satisfaction of the Underwriter prior to the issue of the shortfall notice;

(z) the Company does or has done any act or thing which in the Underwriter's reasonable opinion has or is likely to damage the Underwriter's reputation;

(aa) the Company fails to provide the Underwriter with a shortfall notice; or

(ab) litigation, arbitration or other legal proceeding is commenced against the Company.

The Company has agreed to indemnify the Underwriter, its related bodies corporate and each of its officers, employers and advisers (each an "Indemnified Party") from and against any and all losses, liabilities, claims, damages, costs and expenses whatsoever (including reasonable legal costs on a full indemnity basis) arising out of:

- any representation or warranty made by the Company under the Underwriting Agreement not being correct in any material respect;
- any material breach of the Underwriting Agreement by the Company;
- any advertisement or publicity of the Offer issued with the written approval of the Company and without consent of the Underwriter; or
- the distribution of the Prospectus and the making of the Offer.

The indemnity provided by the Company does not apply to:

- any loss, damage, cost or expense to the extent that it arises out of any untrue statement or omission or alleged untrue statement or omission made in reliance upon and in conformity with written information furnished to the Company by the Underwriter expressly for use in the Prospectus; or

- any loss of an Indemnified Party where such loss results from a breach by a party of its obligations under the Underwriting Agreement or any fraud, recklessness, wilful misconduct or negligence of an Indemnified Party.

For acting as Underwriter to the Offer, the Underwriter and/or its nominees are entitled to purchase Shares at a price of 0.1 cents per Share based on a formula of 1 Share available for purchase for every $2.00 raised by the Underwriter under the Offer. These Shares are to be purchased and issued once the Offer has been closed. These Shares are considered to be held by Promoters and will be subject to escrow as described in this Section. This share issue arrangement is not contained in the Underwriting Agreement.

## Deeds of Access and Indemnity

The Company has agreed to provide access to the books and records of the Company to current officers of the Company while they are officers and for a period of 7 years from when they cease to be officers. The Company has agreed to indemnify, to the extent permitted by the Corporations Act, each officer in respect of certain liabilities which the officer may incur as a result of, or by reason of (whether solely or in part), being or acting as an officer of the Company. The Company has also agreed to maintain in favour of each officer, a directors' and officers' policy of insurance for the period that they are an officer and for a period of 7 years after the officer ceases to be an officer of the Company.

## Litigation

The Company is not, and has not been, during the 12 months preceding the date of this Prospectus, engaged in any legal proceedings which would be likely to have a material adverse effect on its business, financial condition or the results of its operations nor, in so far as the Directors are aware, are any such proceedings pending.

## Interests of Experts and Persons

Other than set out elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, has, or has had within the two years before lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or

(c) the Offer; and

no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by them in connection with the formation or promotion of the Company or the Offer.

Mackay & Schnellmann Pty Limited (Mackay & Schnellmann) will receive professional fees of approximately $50,000 for the provision of the Independent Geologists' Report. Mackay & Schnellmann has not provided other professional services to the Company during the last two years.

The Underwriter (KTM Capital) will receive a management fee of 2% of the amount raised by the Company under the Offer and an underwriting commission of 4% of the amount raised by the Company under the Offer, in addition to the shares it is entitled to purchase for acting as Underwriter. KTM Capital has not provided other professional services to the Company during the last two years.

Wright Legal will receive professional fees of approximately $35,000 for legal work undertaken by them in connection with this Prospectus, including preparation of the Solicitors' Report contained in this Prospectus, and a general review of the compliance of the Prospectus with the requirements of the Corporations Act and participation in the due diligence process. Wright Legal have provided other professional services to the Company during the last two years for which the Company has paid fees totalling approximately $15,000.

KPMG will receive professional fees of approximately $8,000 for accounting services in connection with this Prospectus, including the provision of the Investigating Accountants' report contained in this Prospectus. KPMG has acted as auditors of the Company, and the Company incurred $12,000 for auditing or related services over the last two years in the normal course of business.

Security Transfer Registrars Pty Ltd (Security Transfers Registrars) has been appointed as the Company's Share Registry and will be paid for these services on normal commercial terms.

## Consents and Involvement in the Preparation of the Prospectus

Written consents to the issue of this Prospectus have been given and at the date of this Prospectus have not been withdrawn by the following parties:

Wright Legal has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as Solicitors to the Offer in the form and context in which it is named. Wright Legal specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. While Wright Legal has provided advice to the Directors in relation to the issue of this Prospectus and the conduct of due diligence enquiries by the Company and the Directors, Wright Legal has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than references to its name.

KPMG has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as auditors of the Company and Investigating Accountants to the Offer in the form and context in which it is named and the inclusion of its Investigating Accountants' Report in the Prospectus in the form and context in which it is so included. KPMG specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than the Investigating Accountant's Report.

Mackay & Schnellmann has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as expert to prepare the Independent Geologists Report in the form and context in which it is named. Mackay & Schnellmann specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. Mackay & Schnellmann has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than the Independent Geologists Report.

Security Transfer Registrars has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as the Share Registry of the Company in the form and context in which it is named. It has had no involvement in the preparation of any part of this Prospectus other than assisting in the design of the Application Form and recording its name as Share Registrar to the Company. Security Transfer Registrars specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere in, this Prospectus. It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than the references to its name.

KTM Capital has given and, before lodgement of this Prospectus, has not withdrawn its consent to be named as Underwriter in the form and context in which it is named. KTM Capital specifically disclaims liability to any person in the event of any omission from, or any misleading or deceptive statement included elsewhere, in this Prospectus. It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of the Prospectus other than the references to its name.

## Expenses of the Offer

All expenses connected with the Offer are being borne by the Company. The expenses of the Offer (including any applicable GST except where stated otherwise) payable in cash are as follows:

| | |
|---|---|
| Independent Geologists' Report | $50,000 |
| Investigating Accountants' Report | $8,000 |
| Solicitors' Report | $35,000 |
| Underwriting | $330,000 * |
| Typeset and Printing | $35,000 |
| Share Registry | $6,000 |
| ASX and ASIC | $30,000 |
| Other | $27,000 |
| TOTAL | $521,000 |

*Based on 6% of $5,000,000, but this number may be increased to a maximum of $420,000 if oversubscriptions are received through the Underwriter to a maximum of $7,000,000.

The Underwriter and/or its nominees are entitled to purchase Shares at a price of 0.1 cents per Share based on a formula of 1 Share available for purchase for every $2.00 raised by the Underwriter under the Offer based on $5,000,000 to be raised by the Underwriter. This amounts to 2,500,000 Shares issued at a fair value cost of $497,500 treated as a cost of the Issue. These Shares are to be issued once the Offer has been closed and will be subject to escrow as set out in this Section.

Except as set out above or elsewhere in this Prospectus, no sums have been paid or agreed to be paid to any professional adviser or other person in cash, Shares or otherwise by any person in connection with the formation or promotion of the Company. Certain parties and employees of the above firms may subscribe for Securities in the context of the Offer.

## Interests of Directors

Other than as set out in this Prospectus:

(a) no Director or other person envisaged in Section 711(4) of the Corporations Act has, or has had in the 2 years before the date of this Prospectus, any interest in the Offer, in the formation or promotion of the Company or in any property of or proposed to be acquired by the Company in connection with the formation or promotion of the Company or the Offer;

(b) no amount, whether in cash, Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, to any Director to induce him or her to become, or to qualify him or her as, a Director; and

(c) no amount, whether in cash, Shares or otherwise, has been paid or agreed to be paid, or any benefit given or agreed to be given, for services provided by a Director or other person envisaged in Section 711(4) of the Corporations Act in connection with the formation or promotion of the Company or the Offer.

## Securities Held by Directors

Directors are not required under the constitution of the Company to hold any Securities in the Company. Upon completion of the Offer, Directors and their Associates will hold relevant interests in the following Securities:

| Directors | Shares | Options |
|---|---|---|
| Peter Harold | 500,000 | none |
| Peter Hepburn-Brown | 4,000,000 | none |
| Jayson Meyers | 4,000,000 | none |
| Kevin Hart | 1,000,000 | none |

Directors may apply for Securities under this Prospectus. As at the date of this Prospectus, none of the Directors had determined whether or not to apply for Securities under this Prospectus.

## Remuneration of Directors

The names and descriptions of the Directors of the Company are set out in the Corporate Directory and Section 5 of this Prospectus.

Directors' fees to be paid annually by the Company commencing on listing are as follows:

| Director | Directors' Fees |
|---|---|
| Peter Harold | $30,000 |
| Peter Hepburn-Brown | $35,000 |
| Jayson Meyers | $35,000 |
| Kevin Hart | $30,000 |

Directors' fees not exceeding an aggregate of $150,000 per annum have been approved by the Company by resolution of the Board of Directors.

The Company has entered into service agreements with the Directors. Under these agreements, no director is on a fixed salary, other than the Director's Fees listed above. The Directors' service agreements set out a daily rate at which each Director may charge consulting fees for technical or corporate services provided beyond the Director's duties already covered by the Directors' fees listed above. The Directors' consulting fees will be charged to relevant projects where applicable.

The maximum daily rate that each Director may charge including any nominated superannuation and exclusive of GST is as follows:

| | |
|---|---|
| Peter Harold | $1,000 per day on an as needed basis |
| Peter Hepburn-Brown | $950 per day, guaranteed to 100 days per year |
| Jayson Meyers | $900 per day, guaranteed to 150 days per year |
| Kevin Hart | $1,000 per day on an as needed basis |

The service contracts for the Executive Directors are for a term of 3 years and are terminable by the Company prior to the expiry of the term in certain specified circumstances.

## Related Party Transactions

As at the date of this Prospectus, the Company is a party to the following transactions with related parties:

(a) The Directors service agreement as outlined above;

(b) Each director of the Company has received and continues to receive the benefit of a Deed of Access and Indemnity;

(c) Mr Kevin Hart has an interest as a Partner in the Chartered Accounting firm Endeavour Corporate Pty Ltd. The firm provides Company Secretarial, accounting and administrative services to the Company in the ordinary course of business; and

(d) Dr Jayson Meyers has an interest as a Director of the resource consulting firm Resource Potentials Pty Ltd. The firm provides geological, geophysical, database administration and administrative services to the Company in the ordinary course of business.



## Escrow Arrangements

The Listing Rules preclude the holder of restricted securities from disposing of those securities or an interest in those securities or agreeing to dispose of those securities or an interest in those securities, for the relevant restriction periods. The holder will also be precluded from granting a security interest over those securities.

None of the Offer Securities will be treated as restricted securities and will be freely transferable from the date of their allotment.

ASX may review these restrictions during consideration of the Company's application for admission to the Official List. ASX may also, at its discretion, waive or vary the requirements in accordance with the Listing Rules in the event that an affected holder and the Company applies for a review of any escrow restrictions.

The Directors, related parties and Promoters (Underwriter and/or its nominees) have undertaken not to dispose of any interest in or to grant any security over any of the 12,050,000 Shares to be held by them on completion of the Issue. These restrictions will terminate on the second anniversary of the date of admission of the Company to the Official List. However, these restrictions will not prohibit any Existing Shareholder from accepting a takeover offer provided holders of not less than 50% of the remaining Shares then on issue have accepted the takeover offer.

Shares held in the Company by seed investors that are not Directors, related parties, Promoters (Underwriter and/or its nominees) are subject to escrow as set out in the ASX Listing Rules and their securities will be restricted by agreement with these Shareholders in accordance with the ASX Listing Rules.

Shares held in the Company by, or to be issued to, Vendors to the Offer that are not Directors, Related parties or Promoters (Underwriter and/or its nominees) are subject to escrow as set out in the ASX Listing Rules and their securities will be restricted by agreement with these Shareholders in accordance with the ASX Listing Rules.

## Directors and Employee's Option Plan

The Company has established a directors and employees option plan (DEOP). The full terms of the DEOP may be inspected at the registered office of the Company during normal business hours.

The objective of the DEOP is to assist in the recruitment, reward, retention and motivation of employees of the Company.

Each option issued under the plan will be issued free of charge.

The exercise price for options granted under the DEOP will be the price fixed by a committee established by the Board, the majority of whom are non-executive directors of the Company, (Committee) prior to the grant of the option or, if no price is so fixed, calculated based on weighted average of recent share trading on the ASX.

The options granted under the DEOP do not give any right to participate in dividends or rights issues until shares are allotted pursuant to the exercise of the relevant option.

Under the DEOP, the Committee may invite directors and employees to participate in the DEOP and receive options. A director or employee may receive the options or nominate a relative or associate to receive the options. The plan is open to directors and employees of the Company or its subsidiaries. The number of shares underlying options granted under the DEOP when aggregated with:

- the maximum number of shares that could be issued on exercise of unexercised DEOP options and any other director or employee incentive share or option plan; and

- the number of shares issued on exercise of options under the DEOP and any other employee incentive share or option plan in the last 5 years, must not exceed 5% of the issued shares at the time of grant of the options. This restriction will not apply if the Company has a current prospectus under which the options are granted.

The options granted under the DEOP have a term specified on the face of each certificate.

If the Company, after having granted any option under the DEOP, reduces its issued share capital or subdivides or consolidates its shares, the number of the shares issued to the option holder on exercise of an option will be reduced, subdivided or consolidated, as the case may be, in accordance with the Listing Rules.

Options granted under the DEOP are not transferable. No options have been issued under the DEOP as of the date of this Prospectus.

## Electronic Prospectus

Pursuant to class order 00/44 ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an Electronic Prospectus on the basis that a paper Prospectus is lodged with ASIC and the issue of Shares and Options in response to an electronic application, subject to compliance with certain provisions.

If you have received this Prospectus as and Electronic Prospectus please ensure that you have the entire Prospectus accompanied by the Application Form. If you have not, please e-mail the Company at info@alloyres.com and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form, it was not provided with an entire copy of the Prospectus and any relevant supplementary or replacement material or any of those documents were incomplete or altered. In such case, the Application monies received will be dealt with in accordance with Section 722 of the Corporations Act.

## Directors' Responsibility Statement

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and in that respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors' knowledge, before the issue of Securities pursuant to this Prospectus.

Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent. Signed for and on behalf of Alloy Resources Limited:

Dated 14 February 2006

Jayson Meyers
Managing Director

# 12 Glossary of Terms

The following terms and abbreviations used in this Prospectus have the following meanings:

## General Terms

| Term/Abbreviation | Meaning |
|---|---|
| $, A$ | Australian Dollars; |
| Applicant | a person who submits an Application; |
| Application | a valid application to subscribe for a specified number of Offer Securities; |
| Application Form | the application form which is attached to and forms part of this Prospectus in relation to the subscription of Offer Securities; |
| Application Monies | monies that are payable in accordance with the terms of the Offer by an Applicant when submitting an Application; |
| Archaean | Eon in geological time spanning between 3.8 and 2.5 billion years ago; |
| ASIC | Australian Securities and Investments Commission; |
| Associate | has the meaning ascribed to that term in the Corporations Act; |
| ASX | Australian Stock Exchange Limited (ACN 008 624 691); |
| Australian Dollars | the currency of the Commonwealth of Australia; |
| Basalt | a mafic volcanic rock; |
| Board | the board of Directors; |
| CHESS | Clearing House Electronic Subregister System; |
| Closing Date | the date on which the Offer closes, and which is expected to be 22 March 2006 unless the Directors, in conjunction with the Underwriter, exercise their right to vary that date; |
| Company | Alloy Resources Limited (ABN 20 109 361 195); |
| Constitution | the constitution of the Company, as amended from time to time; |
| Corporations Act | the Corporations Act 2001 (Commonwealth); |
| Directors | Directors of the Company; |
| Electromagnetic | a potential field produced by electromagnetic induction, used for the exploration of conductive mineral deposits; |
| Epithermal | a type of hydrothermal alteration of rocks that occurs at mid to upper crustal depths and temperatures, commonly associated with high level igneous intrusions; |
| Existing Shareholder | a holder of a Share as at the date of this Prospectus; |
| Exposure Period | a 7 to 14 day period that ASIC has to review a disclosure document and consider its content before the issuer can accept applications for subscription or purchase of Securities; |
| Financial Year | a year commencing on 1 July and ending on 30 June of the following year; |
| Greenstone belt | a collection of volcanic, sedimentary and shallow igneous intrusive rocks that have been metamorphosed to greenschist facies, are sheared and deformed, and form in belts surrounded by granitic and gneissic rocks; |
| GST | Goods and Services Tax; |

| | |
|---|---|
| Induced polarisation | A geophysical technique used to measure the chargeability and apparent resistivity of rocks and mineral deposits in the subsurface; |
| IPO | Initial Public Offering, sale of equity in a Company generally in the form of Securities that trade on a recognised stock market; |
| Issue | the issue and allotment of Offer Securities to Applicants pursuant to this Prospectus; |
| JORC | the Australasian Joint Ore Reserves Committee; |
| KTM Capital or Underwriter | KTM Capital Pty Ltd (ABN 34 086 281 950); |
| Listing Rules | the official Listing Rules of the ASX as amended from time to time; |
| Offer | the offer of 25,000,000 Offer Shares together with 1 free attaching Option per Share, and up to a further 10,000,000 Shares and free attaching Options by way of oversubscription under this Prospectus; |
| Offer Options | Options to be issued by the Company pursuant to the Offer; |
| Offer Period | the period commencing on and including the first day after the expiry of the period of 7 days commencing on the date of lodgement of this Prospectus and ending on and including 22 March 2006; |
| Offer Price | $0.20 per Share; |
| Offer Securities | Shares together with one (1) free attaching Option offered on the terms and conditions of this Prospectus; |
| Offer Shares | Shares to be issued by the Company pursuant to the Offer; |
| Official List | the official list of entities that ASX has admitted and not removed; |
| Official Quotation | official quotation in the market operated by the ASX; |
| Option | an option to subscribe for a Share at $0.20 per Option at anytime up until 3 years after the date the Company is listed on the ASX; |
| Optionholder | the holder of an Option; |
| Promoters | means the Shareholders referred to in Section 11; |
| Prospectus | this prospectus dated 14 February 2006 for the offer of the Offer Securities as modified by any supplementary prospectus issued by the Company and lodged with ASIC from time to time; |
| Proterozoic | Era in geological time spanning between 2,500 and 543 million years ago; |
| Pyrite | a moderately conductive iron sulphide mineral that is commonly associated with hydrothermal mineral deposits; |
| Pyrrhotite | a highly conductive iron sulphide mineral that is commonly associated with hydrothermal mineral deposits; |
| Security | a security in the issued capital of the Company, and includes a Share and an Option; |
| Share | an ordinary Share in the issued capital of the Company issued under this Prospectus; |
| Share Registry | Security Transfer Registrars Pty Ltd; |
| Shareholder | a holder of a Share; |
| Subsidiary | has the meaning ascribed to that term in the Corporations Act; |
| TEMPEST | a fixed wing airborne electromagnetic survey system designed to detect changes in conductivity in the top 200 metres of the Earth; |
| Voting Power | has the meaning given by Section 610 of the Corporations Act. |

## Interpretation

In this Prospectus, unless the context requires otherwise:

(a) a reference to a word includes the singular and the plural of the word and vice versa;

(b) a reference to a gender includes any gender;

(c) if a word or phrase is defined, then other parts of speech and grammatical forms of that word or phrase have a corresponding meaning;

(d) a term which refers to a natural person includes a company, a partnership, an association, a corporation, a body corporate, a joint venture or a governmental agency;

(e) headings are included for convenience only and do not affect interpretation;

(f) a reference to a document includes a reference to that document as amended, novated, supplemented, varied or replaced;

(g) a reference to a thing includes a part of that thing and includes but is not limited to a right;

(h) the terms "included", "including" and similar expressions when introducing a list of items do not exclude a reference to other items of the same class or genus;

(i) a reference to a statute or statutory provision includes but is not limited to:

  (1) a statute or statutory provision which amends, extends, consolidates or replaces the statute or statutory provision;

  (2) a statute or statutory provision which has been amended, extended, consolidated or replaced by the statute or statutory provision; and

  (3) subordinate legislation made under the statute or statutory provision including but not limited to an order, regulation, or instrument; and

(j) a reference to an asset includes all property or title of any nature including but not limited to a business, a right, a revenue and a benefit, whether beneficial, legal or otherwise.

Alloy
RESOURCES LIMITED
ABN 20 109 361 195

| BROKER STAMP |
|---|
| |

# APPLICATION FORM

| CHESS HIN |
|---|
| (if applicable) |

INSTRUCTIONS FOR BOXES A TO G ARE SET OUT ON THE FOLLOWING PAGE

A

| TITLE | GIVEN NAMES | B | TAX FILE No. |
|---|---|---|---|
| | | | |

| SURNAME OR COMPANY NAME AND ACN NUMBER |
|---|
| |

C

| ADDRESS |
|---|
| |

| SUBURB/TOWN | STATE | POSTCODE |
|---|---|---|
| | | |

D

| CONTACT PERSON | TELEPHONE No. |
|---|---|
| | |

| EMAIL ADDRESS | FACSIMILE No. |
|---|---|
| | |

E

I/We Apply For

| OFFER SECURITIES |
|---|
| |

and enclose our Application Monies in full at A$0.20 per Offer Share and free attaching Option

F

| APPLICATION MONIES |
|---|
| A$ .00 |

| DATE |
|---|
| / /2006 |

**PIN YOUR CHEQUE HERE** – made payable to "Alloy Resources Limited IPO Account"

**IMPORTANT:** Please complete the following details:

G

| DRAWER | BANK | BRANCH | AMOUNT OF CHEQUE A$ .00 |
|---|---|---|---|
| | | | |

This Application Form does ***not need to be signed***. By lodging this Application Form and a cheque for the application monies, the Applicant hereby:

(1) applies for the number of Offer Shares and free attaching Options specified in the Application Form or such lesser number as may be allocated by the Directors;

(2) agrees to be bound by the terms and conditions set out in the Prospectus and the Constitution of the Company;

(3) authorises the Directors to complete or amend this Application Form where necessary to correct any errors or omissions;

(4) authorise and direct the Company to place my/our names in the Register of Shareholders and Optionholders of the Company as holders of the Shares and Options allocated and issued to me/us in respect of this application; and

(5) declares this Application is completed and lodged in accordance with the terms of the Prospectus and that all statements made by me/us are complete and accurate and that I/we are not, as a result of the law of any place, a person to whom this Prospectus should not be given.

# INSTRUCTIONS TO APPLICANTS

Alloy
RESOURCES LIMITED
ABN 20 109 361 195

Please complete all relevant sections of the Application Form using BLOCK LETTERS and in black or blue ink. If you have any questions on how to complete this Application Form please telephone the Share Registry on (08) 9315 2333.

Please post or deliver the completed Application Form together with your cheque for the appropriate amount of Application Monies to the following address:

By post:

Alloy Resources Limited Securities Offer
c/o Security Transfer Registrars Pty Ltd
PO Box 535
Applecross, WA 6953

By Hand:

Alloy Resources Limited Securities Offer
c/o Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, WA 6153

A. Write your ***FULL NAME*** in ***Box A***. This must be either your own name or the name of a company. You should refer to the examples noted below for the correct forms of name which can be registered. Applications using the incorrect form of name may be rejected. If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. Any decisions as to whether to treat your Application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to subscribe for more Offer Shares and free attaching Options than is indicated by the amount of the accompanying cheque for the application monies referred to in ***Box F***.

*CORRECT FORMS OF REGISTRABLE TITLE*

Note that ONLY legal entities can hold the Offer Shares and Options. The Application must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Applications cannot be made by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

| Type of Investor | Correct Form of Registrable Title | Incorrect Form of Registrable Title |
|---|---|---|
| Trusts | Mr John David Smith | John Smith Family trust |
| Deceased Estates | Mr Michael Peter Smith | John Smith (Deceased) |
| Partnerships | Mr John David Smith and Mr Ian Lee Smith | John Smith & Son |
| Clubs/Unincorporated Bodies | Mr John David Smith | Smith Investment Club |
| Superannuation Funds | John Smith Pty Limited | John Smith Superannuation Fund |

B. Enter a ***TAX FILE NUMBER*** or exemption category beside your name in ***Box B***. Collection of Tax File Numbers is authorised by taxation laws. Quotation of your Tax File Number is not compulsory and will not affect the acceptability of your Application.

C. Enter your ***POSTAL ADDRESS*** for all correspondence in ***Box C***. All communications to you from the Company's Registry (Shareholding Statement, Annual/interim Reports, correspondence, etc) will be mailed to the person(s) and address as shown.

D. Enter details of contact person, telephone number, email address and facsimile number if any enquiries need to be made by the Company or the Registry.

E. Insert the ***NUMBER OF OFFER SECURITIES*** you wish to apply for in ***Box E***. The minimum Application under this Offer is for 10,000 Offer Shares and free attaching Options (requiring an investment by an Applicant of $2,000 Application Monies) and thereafter in multiples of 1,000 Offer Shares and free attaching Options.

F. Insert the amount of your ***APPLICATION MONIES*** in ***Box F***. The amount must be equal to the number of Offer Shares [and free attaching Options] applied for (as in Box E) multiplied by $0.20 per Offer Share [and free attaching Options].

G. Insert the ***TOTAL AMOUNT OF YOUR CHEQUE(S)*** in ***Box G***. The total amount of your cheque(s) must equal the total Application Monies (see ***Box F***). Cheques must be drawn on an Australian bank in Australian currency and made payable to "***Alloy Resources Limited IPO Account***" and crossed "***Not Negotiable***". Do not send cash. A separate cheque should accompany each Application Form lodged. No receipts will be issued.

The Application Form ***does not need to be signed***.

Alloy
RESOURCES LIMITED
ABN 20 109 361 195

BROKER STAMP

# APPLICATION FORM

CHESS HIN
(if applicable)

INSTRUCTIONS FOR BOXES A TO G ARE SET OUT ON THE FOLLOWING PAGE

| A | TITLE | GIVEN NAMES | B | TAX FILE No. |
|---|---|---|---|---|
| | SURNAME OR COMPANY NAME AND ACN NUMBER | | | |
| C | ADDRESS | | | |
| | SUBURB/TOWN | STATE | | POSTCODE |
| D | CONTACT PERSON | | | TELEPHONE No. |
| | EMAIL ADDRESS | | | FACSIMILE No. |

E I/We Apply For [ OFFER SECURITIES ] and enclose our Application Monies in full at A$0.20 per Offer Share and free attaching Option

F APPLICATION MONIES A$ .00

DATE / /2006

**PIN YOUR CHEQUE HERE** – made payable to "Alloy Resources Limited IPO Account"

**IMPORTANT:** Please complete the following details:

G

| DRAWER | BANK | BRANCH | AMOUNT OF CHEQUE A$ .00 |
|---|---|---|---|
| | | | |

This Application Form does ***not need to be signed***. By lodging this Application Form and a cheque for the application monies, the Applicant hereby:

(1) applies for the number of Offer Shares and free attaching Options specified in the Application Form or such lesser number as may be allocated by the Directors;

(2) agrees to be bound by the terms and conditions set out in the Prospectus and the Constitution of the Company;

(3) authorises the Directors to complete or amend this Application Form where necessary to correct any errors or omissions;

(4) authorise and direct the Company to place my/our names in the Register of Shareholders and Optionholders of the Company as holders of the Shares and Options allocated and issued to me/us in respect of this application; and

(5) declares this Application is completed and lodged in accordance with the terms of the Prospectus and that all statements made by me/us are complete and accurate and that I/we are not, as a result of the law of any place, a person to whom this Prospectus should not be given.

# INSTRUCTIONS TO APPLICANTS

Alloy
RESOURCES LIMITED
ABN 20 109 361 195

Please complete all relevant sections of the Application Form using BLOCK LETTERS and in black or blue ink. If you have any questions on how to complete this Application Form please telephone the Share Registry on (08) 9315 2333.

Please post or deliver the completed Application Form together with your cheque for the appropriate amount of Application Monies to the following address:

By post:

Alloy Resources Limited Securities Offer
c/o Security Transfer Registrars Pty Ltd
PO Box 535
Applecross, WA 6953

By Hand:

Alloy Resources Limited Securities Offer
c/o Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, WA 6153

A. Write your ***FULL NAME*** in ***Box A***. This must be either your own name or the name of a company. You should refer to the examples noted below for the correct forms of name which can be registered. Applications using the incorrect form of name may be rejected. If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. Any decisions as to whether to treat your Application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to subscribe for more Offer Shares and free attaching Options than is indicated by the amount of the accompanying cheque for the application monies referred to in ***Box F***.

*CORRECT FORMS OF REGISTRABLE TITLE*

Note that ONLY legal entities can hold the Offer Shares and Options. The Application must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person. Applications cannot be made by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

| Type of Investor | Correct Form of Registrable Title | Incorrect Form of Registrable Title |
|---|---|---|
| Trusts | Mr John David Smith | John Smith Family trust |
| Deceased Estates | Mr Michael Peter Smith | John Smith (Deceased) |
| Partnerships | Mr John David Smith and Mr Ian Lee Smith | John Smith & Son |
| Clubs/Unincorporated Bodies | Mr John David Smith | Smith Investment Club |
| Superannuation Funds | John Smith Pty Limited | John Smith Superannuation Fund |

B. Enter a ***TAX FILE NUMBER*** or exemption category beside your name in ***Box B***. Collection of Tax File Numbers is authorised by taxation laws. Quotation of your Tax File Number is not compulsory and will not affect the acceptability of your Application.

C. Enter your ***POSTAL ADDRESS*** for all correspondence in ***Box C***. All communications to you from the Company's Registry (Shareholding Statement, Annual/interim Reports, correspondence, etc) will be mailed to the person(s) and address as shown.

D. Enter details of contact person, telephone number, email address and facsimile number if any enquiries need to be made by the Company or the Registry.

E. Insert the ***NUMBER OF OFFER SECURITIES*** you wish to apply for in ***Box E***. The minimum Application under this Offer is for 10,000 Offer Shares and free attaching Options (requiring an investment by an Applicant of $2,000 Application Monies) and thereafter in multiples of 1,000 Offer Shares and free attaching Options.

F. Insert the amount of your ***APPLICATION MONIES*** in ***Box F***. The amount must be equal to the number of Offer Shares [and free attaching Options] applied for (as in Box E) multiplied by $0.20 per Offer Share [and free attaching Options].

G. Insert the ***TOTAL AMOUNT OF YOUR CHEQUE(S)*** in ***Box G***. The total amount of your cheque(s) must equal the total Application Monies (see ***Box F***). Cheques must be drawn on an Australian bank in Australian currency and made payable to "***Alloy Resources Limited IPO Account***" and crossed "***Not Negotiable***". Do not send cash. A separate cheque should accompany each Application Form lodged. No receipts will be issued.

The Application Form ***does not need to be signed***.

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