Large New EM Conductors at Ophara Cobalt-Gold Project

- **VTEM survey highly successful in defining discrete bedrock conductors that are likely to be Sulphide bodies.**
- **Known bedrock conductor at Great Goulburn prospect confirmed as a relatively small low priority target.**
- **<u>Ten new Conductors defined with some of large extent</u>:**
  - **A6 - 1,500m strike.**
  - **A3 - 1,200m strike**
  - **A1 – 1,100m strike**
- **Conductors have similarities to both the Mutooroo Cu-Co-Au and also the Thackaringa Co-pyrite EM signature styles.**
- **An RC drill program is being planned to test the highest priority conductors.**

Summary

Alloy Resources Limited (ASX: **AYR**, **Alloy** or the **Company**) is pleased to advise of the initial interpretation of results from its recent VTEM survey at the Ophara Project located 50 kilometres west of Broken Hill in New South Wales.

During September a 102 square kilometre VTEM survey was successfully completed. The survey aimed to define potential bedrock sulphide conductors that may have Cobalt-Gold-Copper mineralisation similar to the Company's Great Goulburn Prospect and the adjacent Mutooroo and Thackaringa deposits. A Geotem aerial survey in the 1990's had suggested there were conductors present but the quality of data was insufficient to define drill targets.

Independent Consulting Geophysicists have indicated the VTEM survey has successfully defined ten (10) discrete bedrock EM anomalies of moderate to strong conductance.

The new conductors are significantly better targets than the known Great Goulburn prospect and can be easily and effectively tested with shallow RC drilling.

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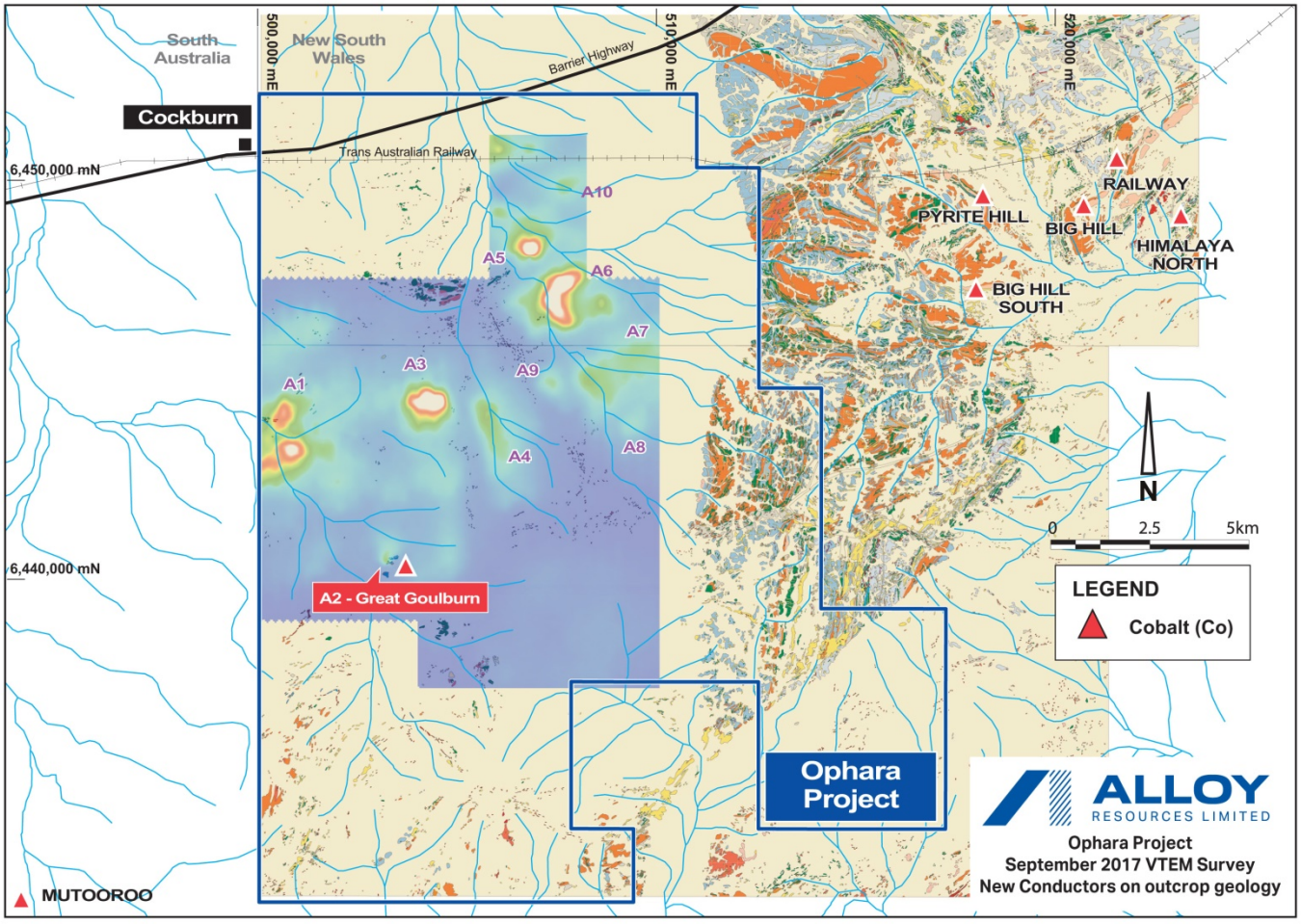

Figure 1 *Ophara VTEM bedrock conductor targets.*

Executive Chairman Andy Viner commented "*I am really excited about what we are seeing in the results of this survey. With our consultants, we can confirm the newly defined conductors are definitely in the bedrock and some are very large and strong. We were concerned that there may have been conductive cover in the old Geotem data, but no, we have this excellent new technology showing us exactly where to go*."

"*This survey re-inforces that there is a significant sulphide mineralising system emerging in this area west of Broken Hill, and it is not just Cobalt we are looking for. There is a very good chance that some of these conductors will also contain Copper such as found at Mutooroo. Indeed other explorers around Broken Hill such as Silver City Minerals at their Copper Blow prospect are reporting some significant Copper results as well*", he said.

"*Once we complete our target modelling over the next week or so, we will outline a solid RC drill program that will be capable of telling us just what we have here. The summer months are when we have to get into the field here, so we look forward to seeing lots of activity and unlocking the potential of the area*", Mr Viner said.

VTEM Survey Results

Effectiveness of Survey

VTEM surveying was successfully completed by Geotech over the Ophara project during September 2017. The survey included 501 line km of readings over an area of 102 km^2, predominantly using 200m spaced lines with a small area of 400m spaced lines to the north of the project area. The data is considered to be of good quality and the survey has been successful in identifying a number of bedrock conductors that warrant further investigation.

Comparison of the VTEM data with 2002 ground SIROTEM data over the Great Goulburn prospect (see below) confirms that the airborne survey is detecting known bedrock conductors that have been drilled at depths of around 100m below surface. The VTEM survey has also identified a number of similar targets of interest; some are much larger in extent that have not been drilled.

Ten targets in total have been modelled from the preliminary data. The targets include a range of sizes, conductance values and magnetic signatures, but most are generally shallow dipping.

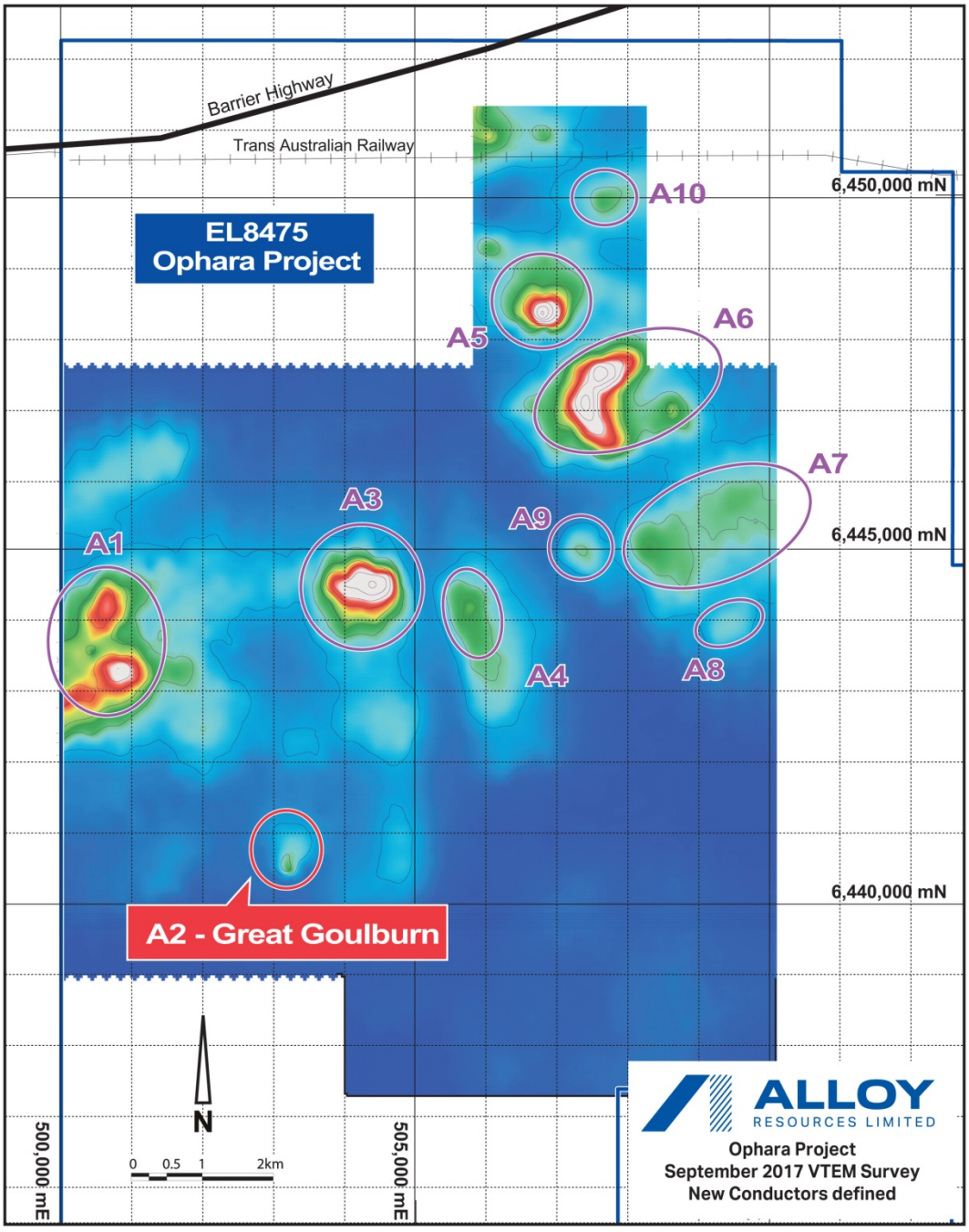

Figure 2 *Ophara VTEM bedrock conductor targets.*

The effectiveness of the VTEM survey is well illustrated by looking at the known Great Goulburn prospect where the Company and previous explorers have defined Cobalt-Gold mineralisation associated with pyrite and marcasite iron-sulphides within and adjacent to a moderate dipping quartz-magnetite unit. As shown in Figure 3 below the VTEM survey has closely matched the response of the ground SIROTEM response, giving confidence that the VTEM is highly effective in detecting bedrock conductors in this area.

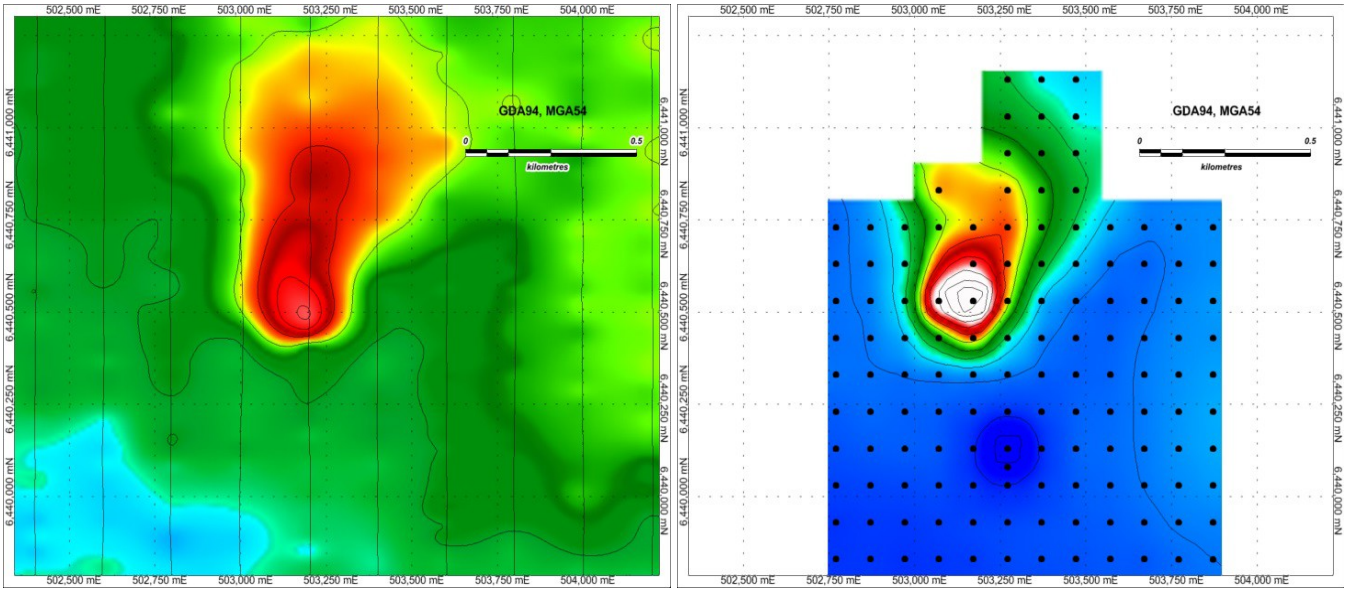

Figure 3 *Comparison of VTEM channel 48 (LHS) and SIROTEM channel 20 (RHS) over the A2 Great Goulburn target*

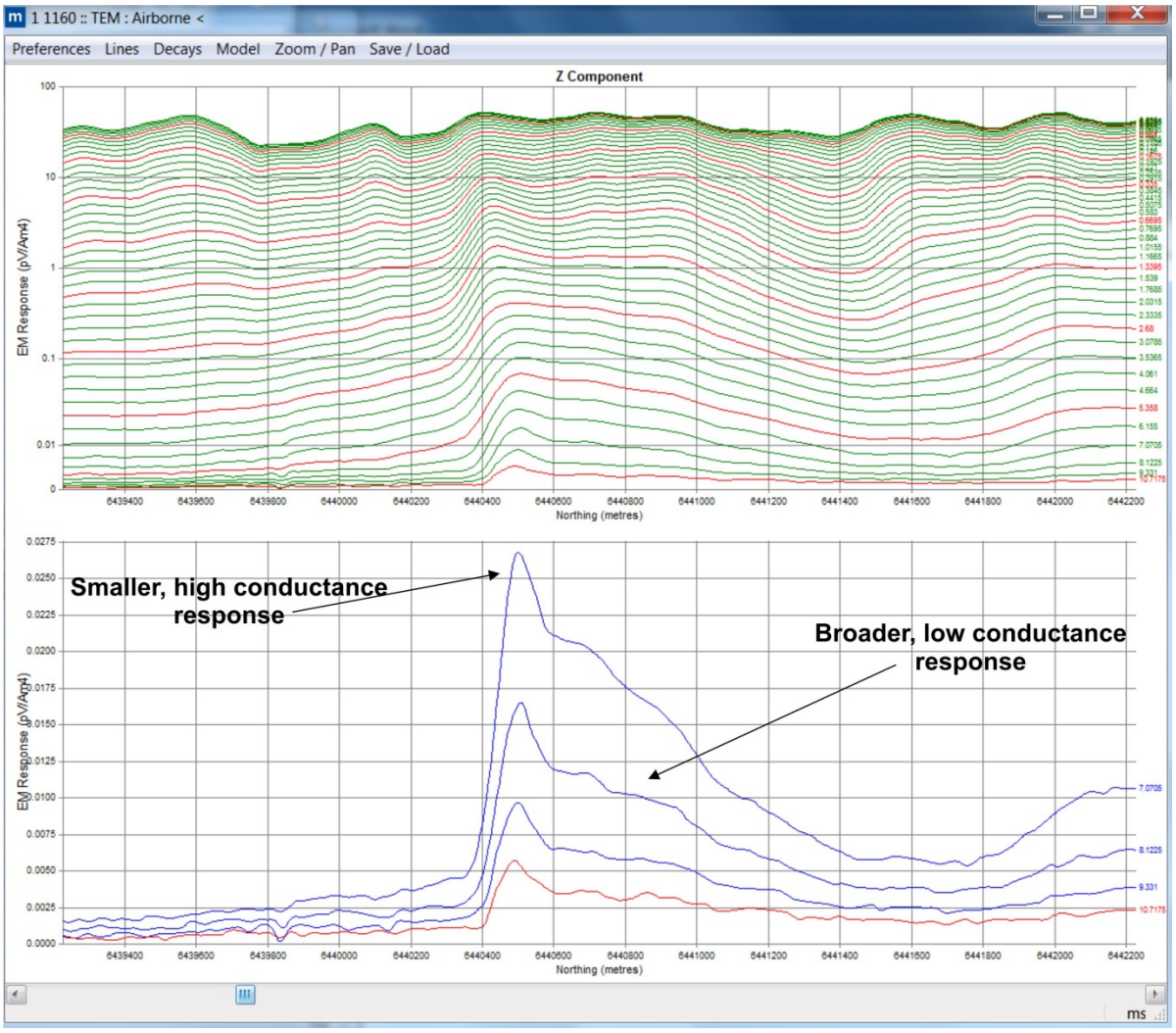

Figure 4 *A2 Great Goulburn target VTEM response, Z component db/dt.*

The Profiles of historic open-file EM data are shown below in Figure 5 for the Pyrite Hill Deposit (1991 GEOTEM data - Figure 2), Mutooroo Deposit (2010 TEMPEST data - Figure 3) and the Great Goulburn Prospect (2002 SIROTEM data - Figure 4). These EM profiles show that there are significant anomalies associated with sulphide-rich mineralisation.

The SIROTEM data over the Great Goulburn prospect was re-processed and modelled earlier this year; subsequent drill targeting (AORC0012) included an intersection of 19m @930 ppm Co and 0.27 g/t Au, from 92 to 111m DH (refer ASX release dated x/xx/xxxx). Borehole conductivity logging showed that this intersection was coincident with a conductivity anomaly of up to 400 s/m (background values are <10 s/m).

The results of the data review, borehole logging and EM modelling / targeting, indicate that EM methods are an effective way of generating exploration targets. These results, along with the ground truthing of historic GEOTEM anomalies in the project area, provided the impetus for the new VTEM survey.

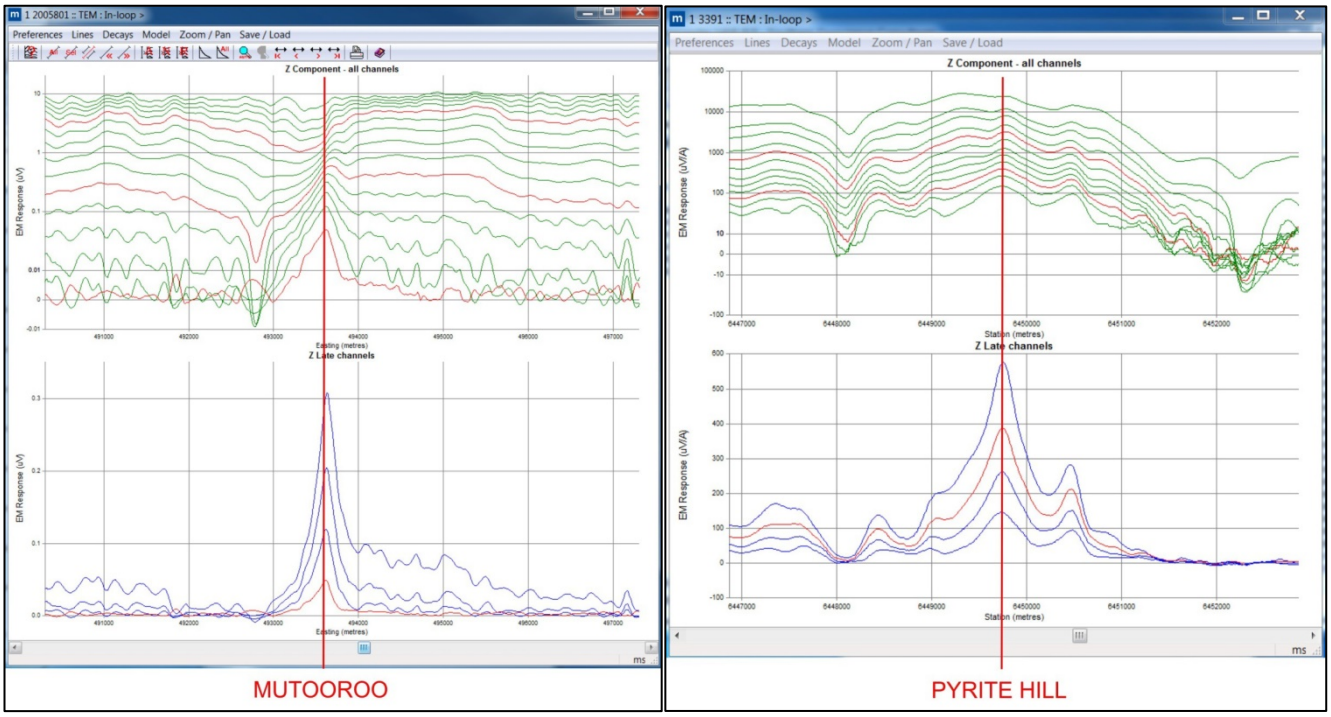

Figure 5 *Mutooroo (2010 TEMPEST-25 Hz) and Pyrite Hill (1991 GEOTEM-75 Hz) aerial electromagnetic responses.*

New Conductors Defined in VTEM survey

At this stage the source of the VTEM anomalies are unknown. The areas where the anomalies occur are mostly covered by cover rocks and alluvial sand which makes geological mapping and geochemical sampling difficult. There has been some shallow RAB drilling in the vicinity of anomalies A3 and A6 but this has not been near where the conductors are interpreted to come to the surface. This drilling was targeting magnetic anomalies.

At this stage we need to use comparisons to other conductors and our knowledge of the geology in the region to interpret the newly defined Conductors.

Several targets have similar geophysical signatures to Thackaringa or Pyrite-Hill type stratabound Co – pyrite deposits. Other anomalies are more similar to the structurally controlled, more discrete Mutooroo type Cu-Co – pyrrhotite targets. It is possible that some of these anomalies could be caused by barren sulphides or conductive stratigraphic layers (sulphidic or graphitic inter-flow sediments in the volcanics).

From a geological perspective it seems illogical that some if not all of these anomalies will be related to sulphidic bodies, and it is possible that a particular stratigraphic unit is hosting these. To date we know that the Great Goulburn prospect has the majority of mineralized sulphides occurring within a quartz-magnetite host rock, and this unit may have been folded and fault repeated within the area – and be the mineralized host to the new conductors.

However the geology may not be that simple, and at Great Goulburn cobalt and gold mineralization was also associated with low-magnetite rocks and quartz veins and shear zones (possibly more like Mutooroo).

Whilst interpetation and drill planning is being refined at the moment, we can say that some Conductors are associated with magnetic units, but others are not – and the same situation exists with the relationship to interpreted faults and folds – no clear association is defined yet.

Final Interpretation and drill planning is still underway, so only a couple of profiles of the new conductors are available for release now as shown below;

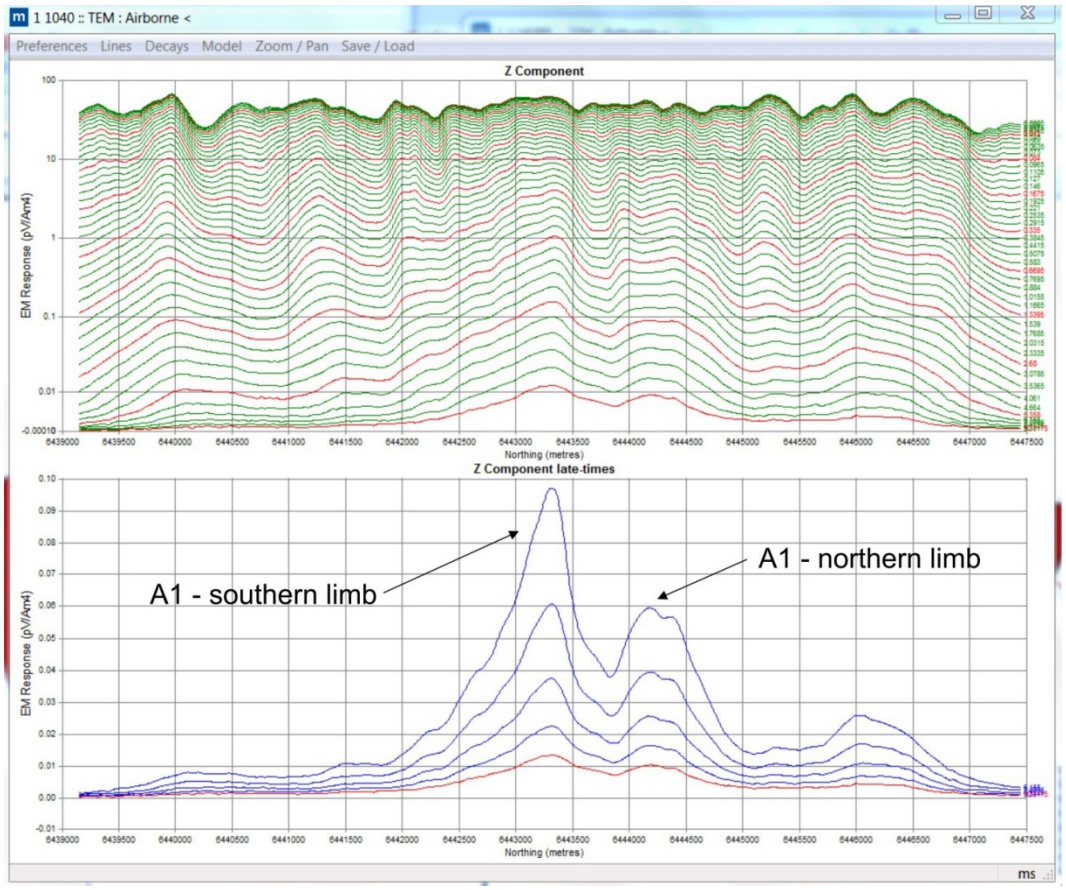

Figure 5 *A1 VTEM response, Z component db/dt.*

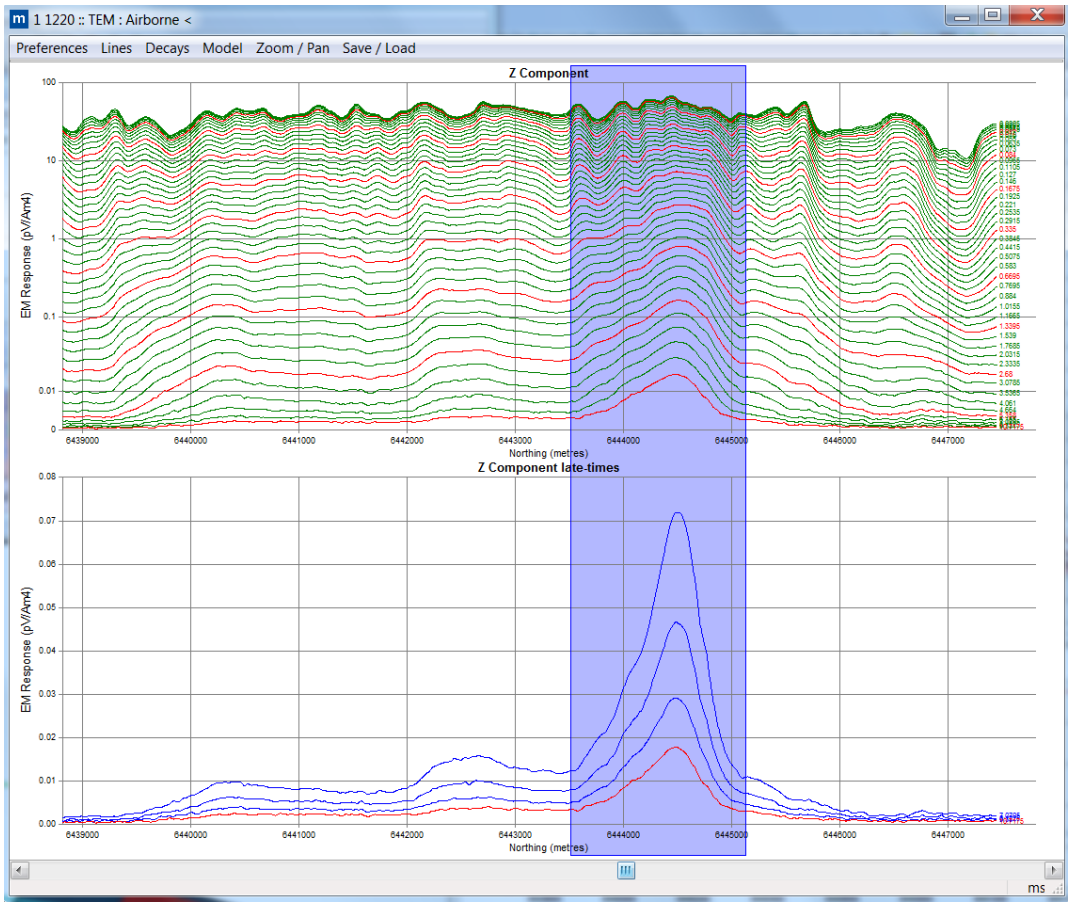

Figure 6 *A3 VTEM response, Z component db/dt.*

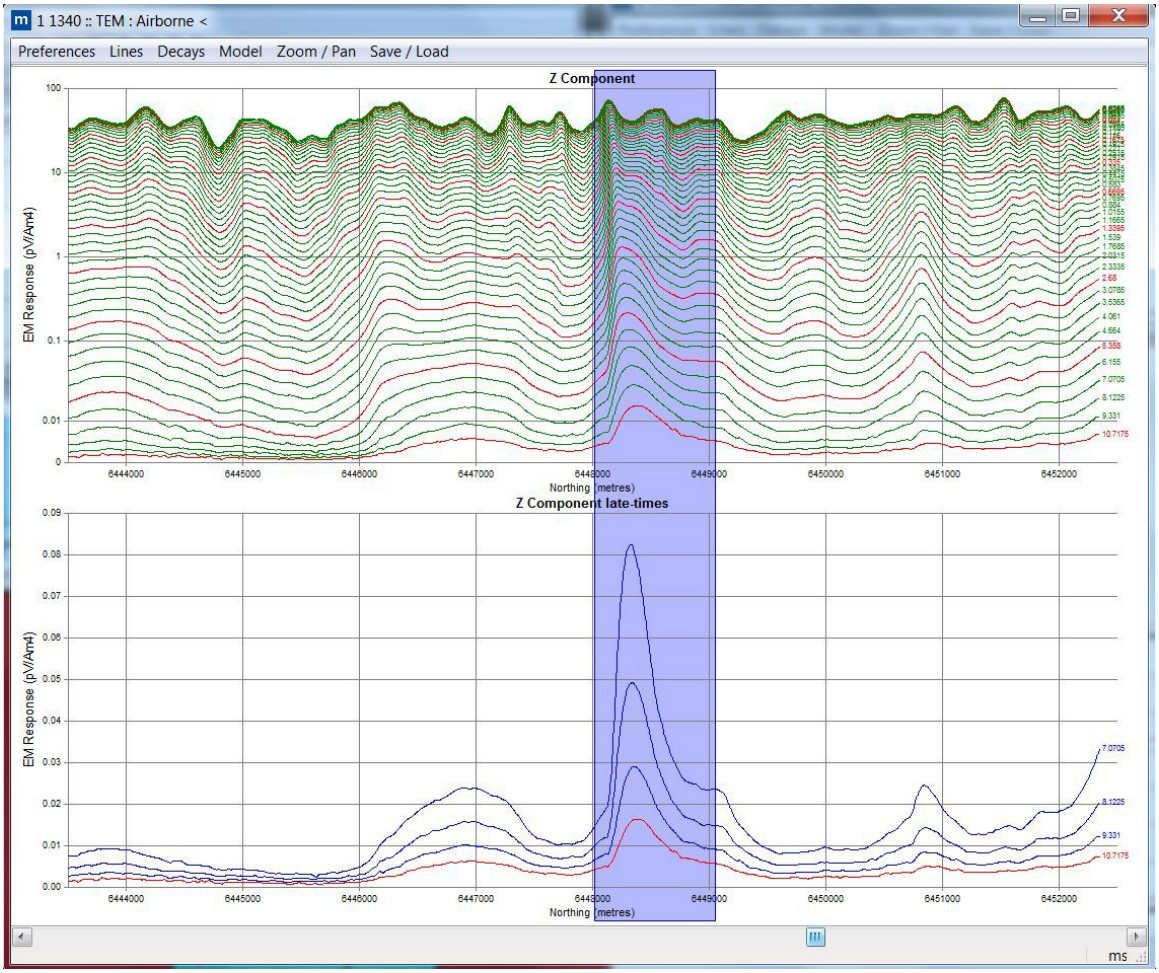

Figure 7 *A5 VTEM response, Z component db/dt.*

Future Exploration

Alloy is highly encouraged by the number and relative strength of conductors defined by the VTEM survey and looks forward to presenting the models and planned drilling for the conductors in the next week.

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Exploration Results

Information in this report which relates to Exploration Results is based on information compiled by Andrew Viner, a Director of Alloy Resources Limited and a Member of the Australasian Institute of Mining and Metallurgy, Mr Viner has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Viner consents to the inclusion in the report of the matters based on this information in the form and context in which it appears. Mr Viner is a shareholder and option holder of Alloy Resources Limited.