



Acquisition of Dingo Resources Revitalises Exploration Project Pipeline

ASX Release

18 February 2020

Capital Structure

Alloy Resources Limited
ABN 20 109 361 195

ASX Code
AYR

Issued Shares
2,088,677,351

Unlisted Options
90,000,000

Corporate Directory

Executive Chairman
Mr Andy Viner

Non-Exec Director
Mr Gary Powell

Non-Exec Director/Co Sec
Mr Kevin Hart

Company Details

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- **Strategic acquisition of unlisted Dingo Resources to revitalise Alloy's exploration project pipeline, including:**
 - **Morgan Range Project targetting Nebo-Babel type Nickel-Copper deposits in West Musgrave**
 - **Highly prospective Bryah Basin Project targetting Copper-Gold**
- **Acquisitions complementary to Alloy's Paterson Project JV with Rio Tinto**
- **Horse Well Project JV to be advanced for development and further exploration**
- **General meeting of shareholders to approve acquisition of Dingo Resources to be convened**

Summary

Australian gold explorer **Alloy Resources Limited (ASX:AYR)** ("**Alloy**" or "**the Company**") is pleased to advise it has entered into a binding Heads of Agreement to acquire unlisted public company Dingo Resources Limited ("**Dingo**").

Dingo has the right to acquire two mineral exploration projects in Western Australia which the Company believes will revitalise Alloy's pipeline of exploration projects and offer shareholders attractive new opportunities for exploration success.

Alloy's Executive Chairman Andy Viner said: "*We have been looking for the right opportunity to revitalise the Company's pipeline of projects and these high quality exploration plays have the potential to be 'company makers' for Alloy.*"

Through Dingo, we are pleased to be acquiring two fantastic exploration opportunities in Western Australia. To complement our JV with Rio Tinto in the Paterson, we are now purchasing a project from Rio in the West Musgrave region which has a well defined target.

In addition, we have also secured a large landholding right in the middle of Sandfire's Bryah Basin exploration areas which has numerous early stage copper-gold targets.

This year is going to be incredibly busy for Alloy and we look forward to delivering on this huge potential for both existing shareholders and new investors."



Figure 1 *Regional location of Projects following acquisition of Dingo Resources*

Dingo Exploration Projects

Morgan Range – Nickel & Copper

The Morgan Range Project is located in the West Musgrave belt of Western Australia (Figure 2). The project encompasses similar geology to the large Nebo-Babel and Succoth nickel-copper deposits, located some 50 kilometres to the south west, which have been the subject of a recently completed Pre-feasibility Study by Oz Minerals in joint venture with Cassini Resources. Nebo-Babel is the largest undeveloped Nickel-Copper deposit in Australia.

The principal target is a strong historical aerial electro-magnetic anomaly ('TEM') selected by Rio Tinto Exploration ("RTX") for pegging, which has now been optioned to Dingo.

The attraction to Alloy is the discrete nature of the target which has already been defined and is now able to be drill tested relatively quickly, meaning it is a low-cost / high-reward discovery opportunity.

Exploration Potential

The potential of the West Musgrave Block to host major mineral deposits was confirmed in 2000 when Western Mining Corporation discovered the Nebo-Babel nickel-copper-pgm sulphide deposit. These deposits are intrusive-hosted and have similarities to the world-class Voisey's bay deposit in Canada and the more recent Nova discovery in Western Australia.



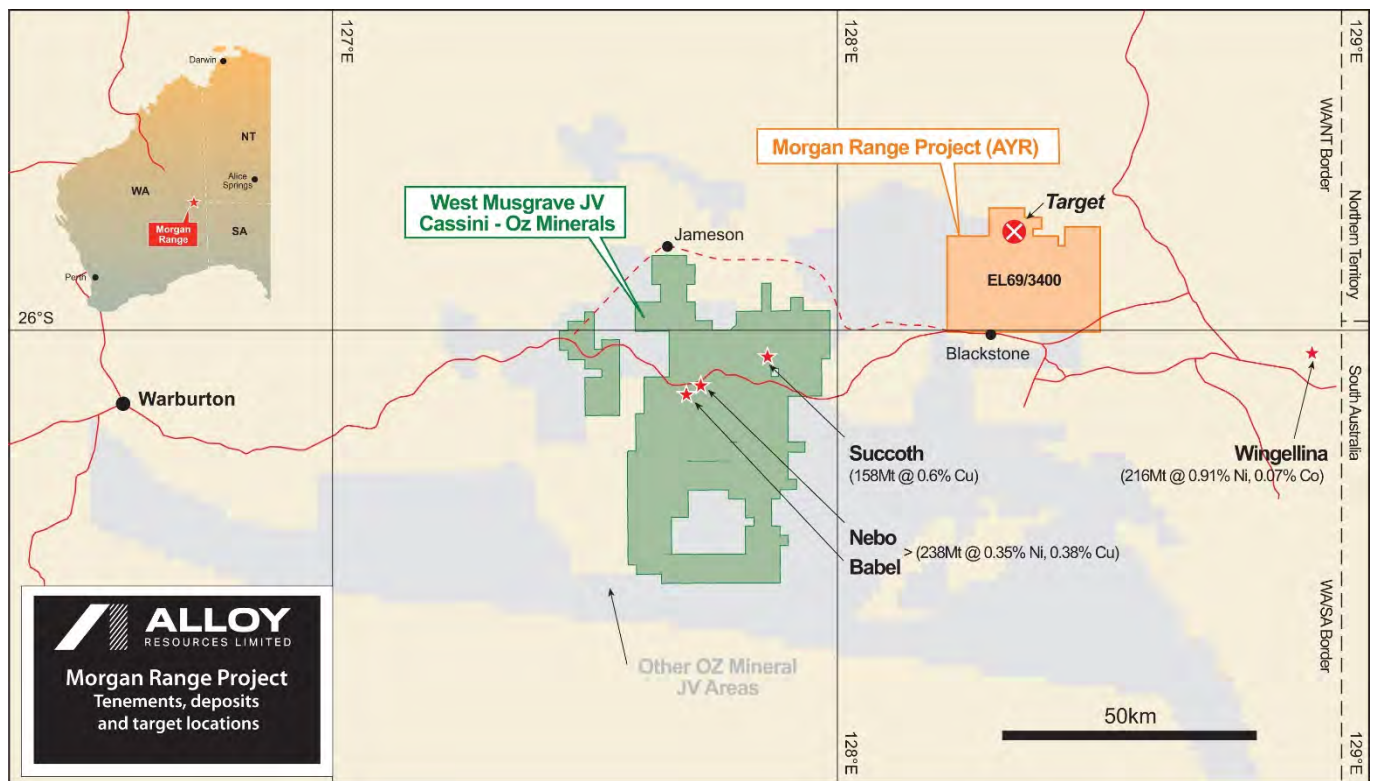


Figure 2 The location of the Morgan Range project in relation to the West Musgrave JV

(The Mineral Resources shown on this map were sourced from an ASX release by OZL on 12 February 2020 and the Metals X Annual Report release to the ASX on 30/08/2019).

The host rocks to the deposits at West Musgrave are the Giles complex suite of layered mafic intrusives which occur as discrete tube like bodies. Multiple phases within these intrusives have introduced both disseminated and massive sulphides.

Following the discovery of the Nebo-Babel deposits, major mining companies explored the area and in 2002 one of these, Falconbridge, conducted GeoTEM aerial electromagnetic surveying across their tenements located to the east of the discovery. Numerous TEM targets of variable anomalism were located and the ground thereafter changed ownership to a number of different explorers. One of these anomalies was identified by geophysicists as having a strong potential to represent a hidden bedrock conductor but was never drill tested. RTX also identified this anomaly as a priority during a regional technical review, and made application for the area in 2015.

The TEM anomaly occurs over four 100 metre spaced lines, with a discrete high amplitude response and a slow decay, typical of a bedrock source (Figure 3). The anomaly is located on the southern margin of a magnetic anomaly, is also coincident with a regional gravity anomaly, and is located adjacent to interpreted Giles Suite Intrusives (Figures 4 and 5).

Previous explorers did visit the TEM anomaly site and described the area as sand covered with no exposure of the bedrock.

NOTE:

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- A Competent Person has not done sufficient work to disclose the Exploration Results in accordance with JORC 2012
- Nothing has come to the attention of the Company that causes it to question the accuracy or reliability of the former owners Exploration Results.
- The acquirer has not independently validated the former owner's Exploration Results and is therefore not to be regarded as reporting, adopting or endorsing those results.
- The source of the information presented is from published WAMEX exploration reports available from the Department of Industry and Resources including;
 1. A66612 Falconbridge Australia, Annual Report for EL's 69/1640, 1641 & 1642 West Musgrave Project, 2001
 2. A77823 Redstone Resources, Annual Report for EL 69/1640 & 1642, DML South Project, 2007
 3. A81929 Redstone Resources, Annual Report for EL 69/1640 & 1642, DML South Project, 2008



4. A102343 Avatar Resources Ltd, Annual Report for EL 69/2775, Blue Hills Project, 2013-2014

5. Publically available regional geological and geophysical datasets

- Information sourced from these reports has been utilised to produce maps that are presented as Figures 3, 4 and 5. This presentation can be recreated from the source data listed and other public domain information. This is an accurate representation of the available data and studies.

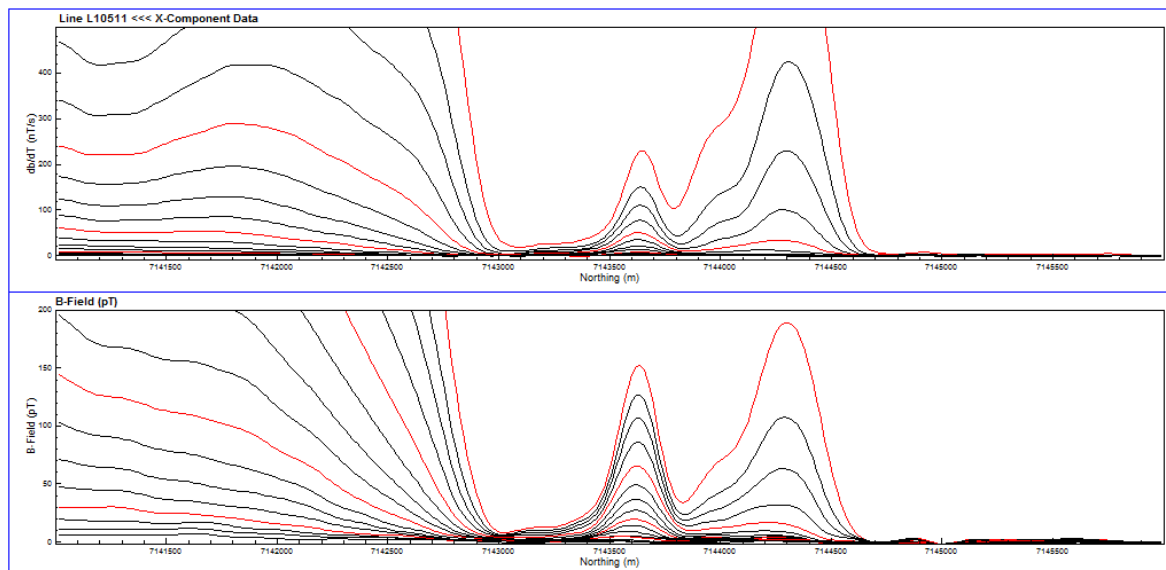


Figure 3 GeoTEM line profile data over the Target

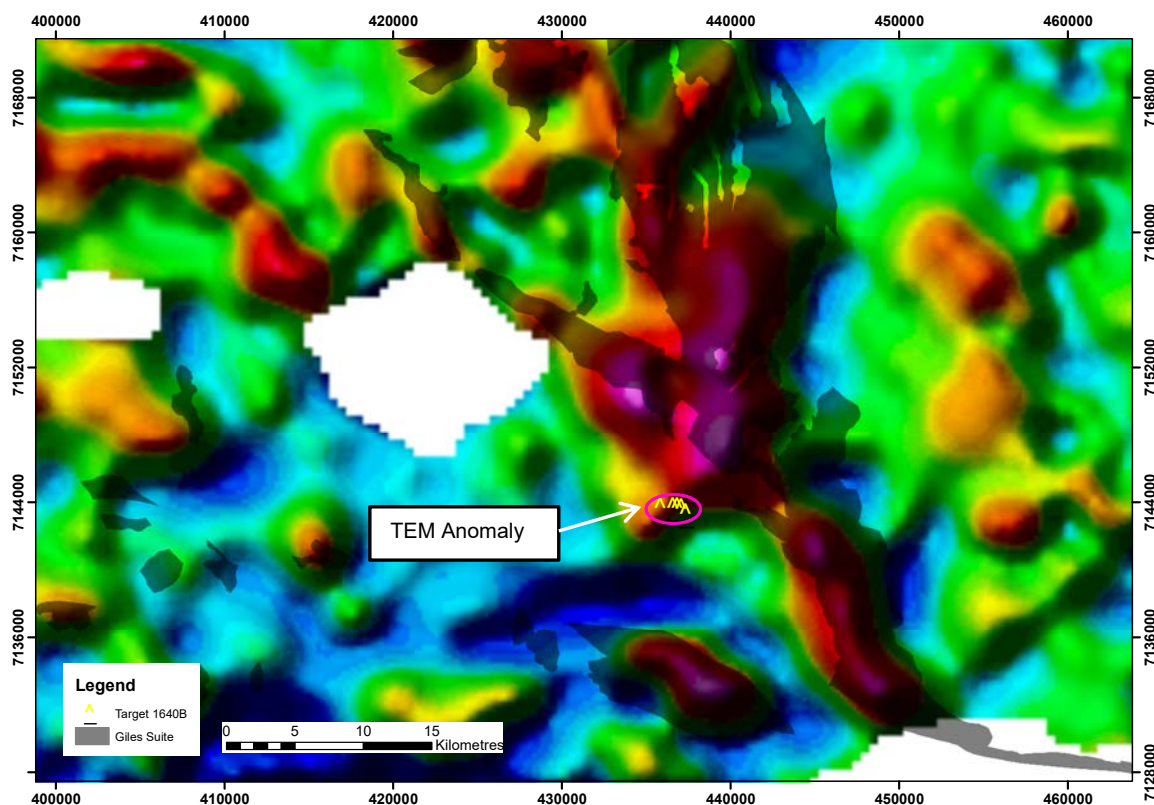


Figure 4 Location of Target on 1st VD bouguer gravity



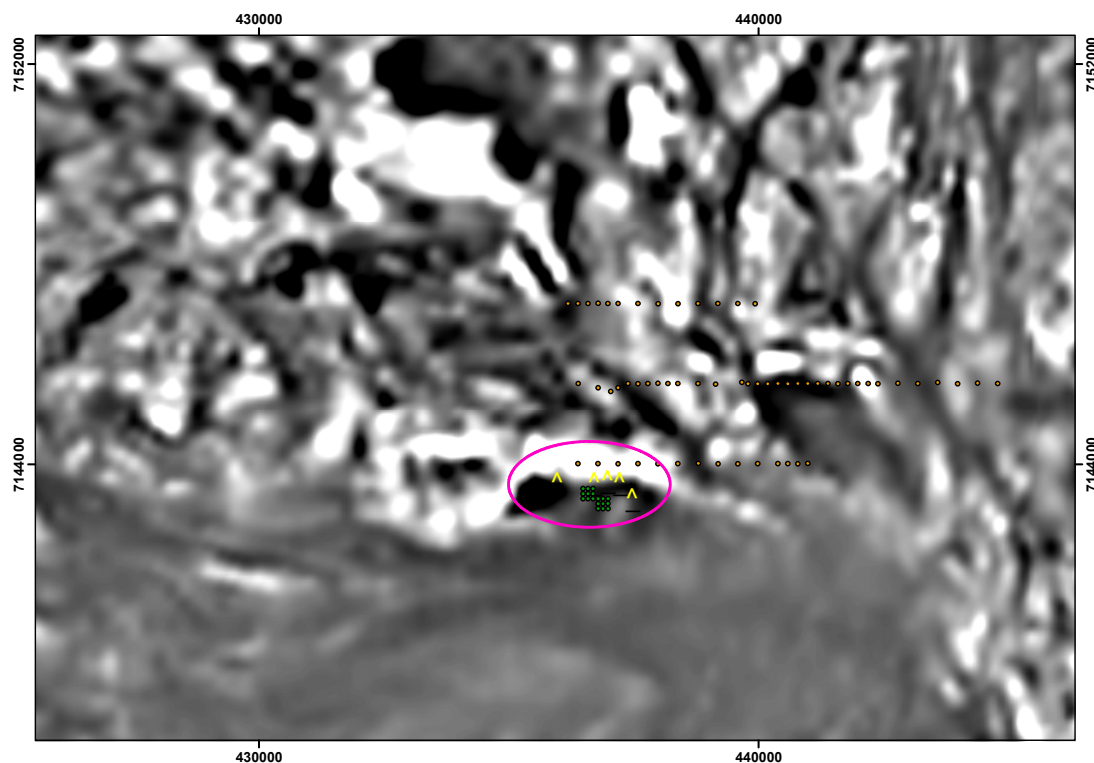


Figure 5 *Location of Target on RTP 1st VD aeromagnetics*

Planned Exploration

Future activities will be focussed on:

- (a) Completing data acquisition and defining the area of interest in detail;
- (b) Completing Heritage Agreements and access surveys;
- (c) Completing ground inspection of the target area and conducting ground TEM and Magnetic surveying if deemed necessary to refine the target location for drilling; and -
- (d) Completing a 2,000 metre RC and/or Diamond drill program to test the conductor at depth.

Funding for this work is subject to a Capital Raising as outlined in this report.

Bryah Basin – Copper & Gold

Introduction

The Bryah Basin Project is located approximately 80 kilometres north of Meekatharra in the Gascoyne district of Western Australia and can be accessed from the Great Northern Highway and then local shire roads and station tracks. The project comprises five early stage Exploration Licences covering 260 square kilometres (Figure 6).

Geologically, the project is located in the central southern part of the Bryah Basin itself, which is a palaeoproterozoic basin formed during the break up of the older Archaean Yilgarn and Pilbara cratons.

The basin is host to volcanogenic massive sulphide deposits (“VMS”) of copper and gold formed during early stage volcanism, such as the Horseshoe Lights deposit and more the more recently discovered Degruusa and Monty deposits currently being mined by Sandfire Resources Limited. Sandfire is actively exploring in the area and holds tenements and joint ventures that completely surround the Project.



The basin also hosts significant structurally controlled orogenic gold deposits associated with the Capricorn Orogen which occurred after the VMS deposits were formed. The Fortnum Gold deposits located in the north of the basin, are currently being mined by Westgold Resources.

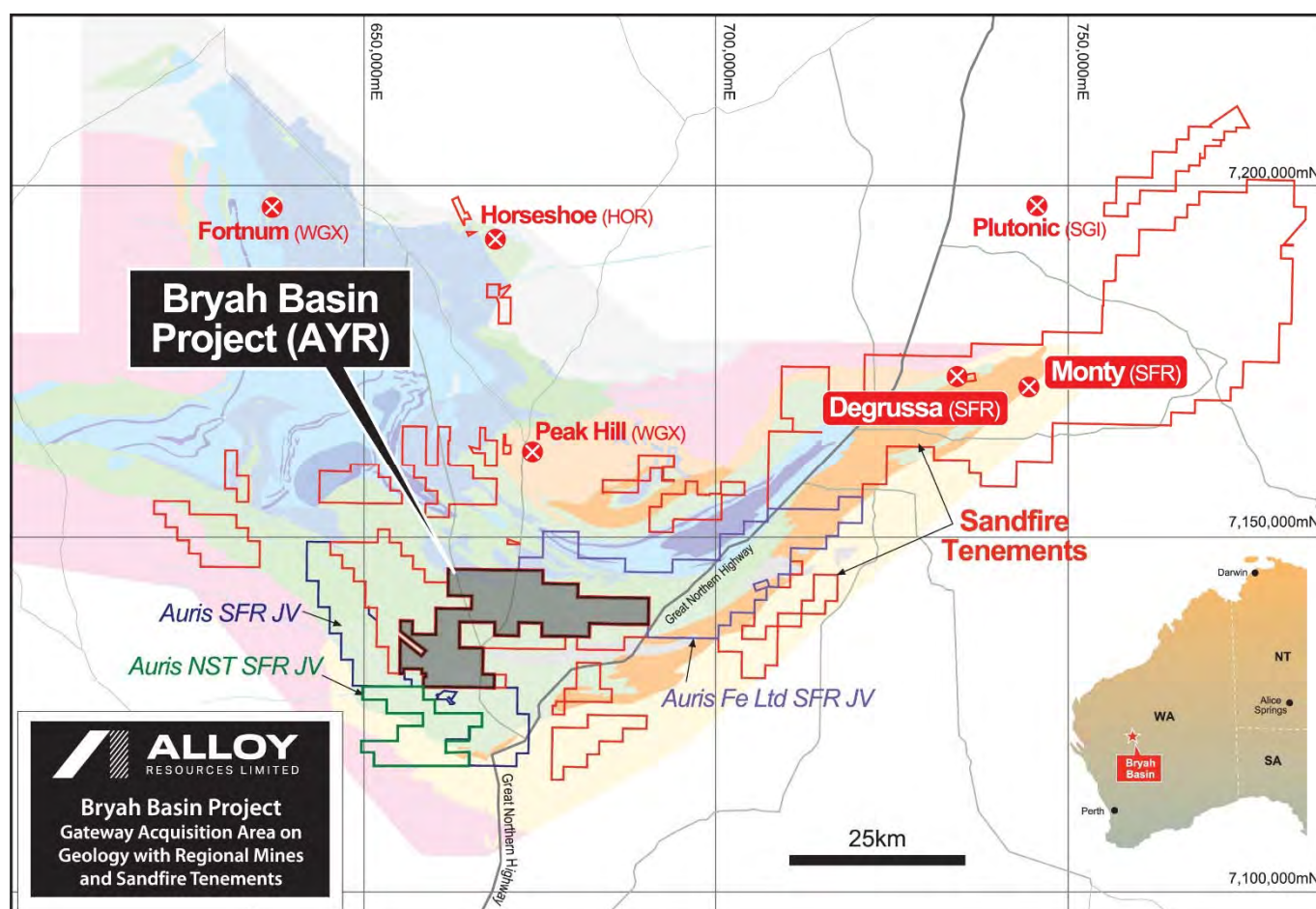


Figure 6 *Bryah Basin Project location on geology and showing Sandfire Resources Ltd tenements*

Exploration Potential

The Bryah Basin Project has potential to host both VMS and structural controlled orogenic gold deposits. Historical exploration has been quite limited in this project area, mainly due to the extensive transported cover associated with the Murchison River basin that extends through the area and limits residual soil and outcrop to only about 15% of the area. The project is underlain by extensive Narracoota formation mafic and ultramafic volcanic units and interflow sedimentary units. In the southern part of the project the major Bilyuin volcanic centre is present, providing the potential for the discovery of Beshi-style VMS deposits within the Project area.

Early explorers in the area that completed the majority of the work in the central and western parts of the project area include North Limited (previously Geopeko) who explored for additional gold deposits to supplement their Peak Hill gold mine operations located some 20 kilometres to the north during the early to mid 1990's. The Naracoota and Durack prospects emerged from this work (shown on Figures 7 and 8). Drilling was not extensive at these prospects and much of the RAB drilling was ineffective, which warrants further work to explain the soil, rock and drill copper and gold anomalies that have been reported.

After the discovery of Degrussa VMS deposit by Sandfire Resources in 2008, Rubianna Limited explored the eastern part of the project area. The Dead Horse Well prospect had previously been identified by Golden Cross Resources in the mid 1990's within a small tenement containing some outcrop, and later Rubianna (2010-2014) located further co-incident gold and copper in air-core drilling to the east at the North Ruby Well prospect.

Drilling in the area was restricted to shallow air-core at a maximum 100 metre by 200 metre spacing and a copper-gold anomaly over a 1km x 0.7km area that remains open to the east for a further 1.4 kilometres. Mineralisation remains poorly understood due to the lack of deep drilling. Mineralisation is generally associated with a hard dark black-red siliceous unit and also often with a deeper weathering zone which is suggestive of a structure or a deeply altered and more weathered zone – see figure 9.



Rubianna completed an aerial VTEM survey over the North Ruby Well tenement area and defined a number of anomalies, some of which coincide with the Dead Horse Well-North Ruby Well prospects. This data is not definitive because of the extensive conductive transported material.

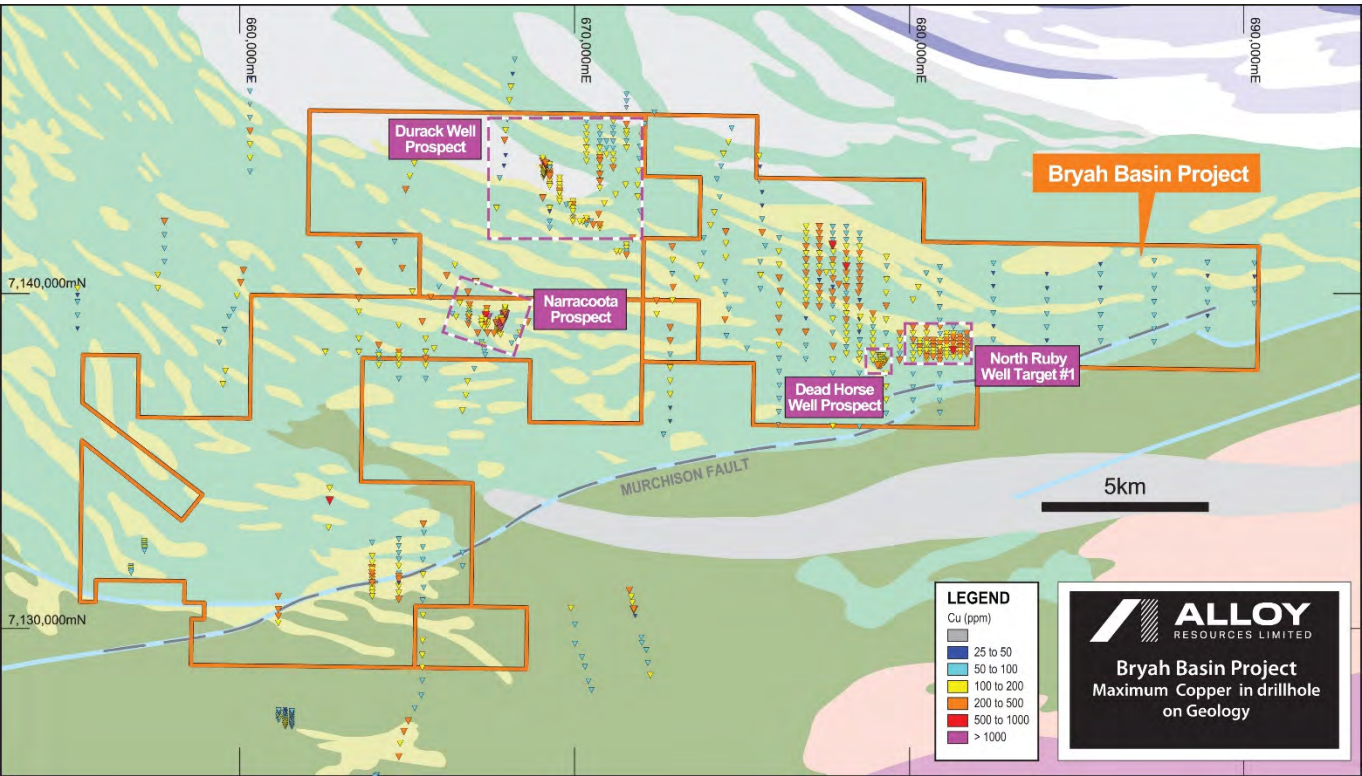


Figure 7 Bryah Basin Project showing gold drill anomalies on geology

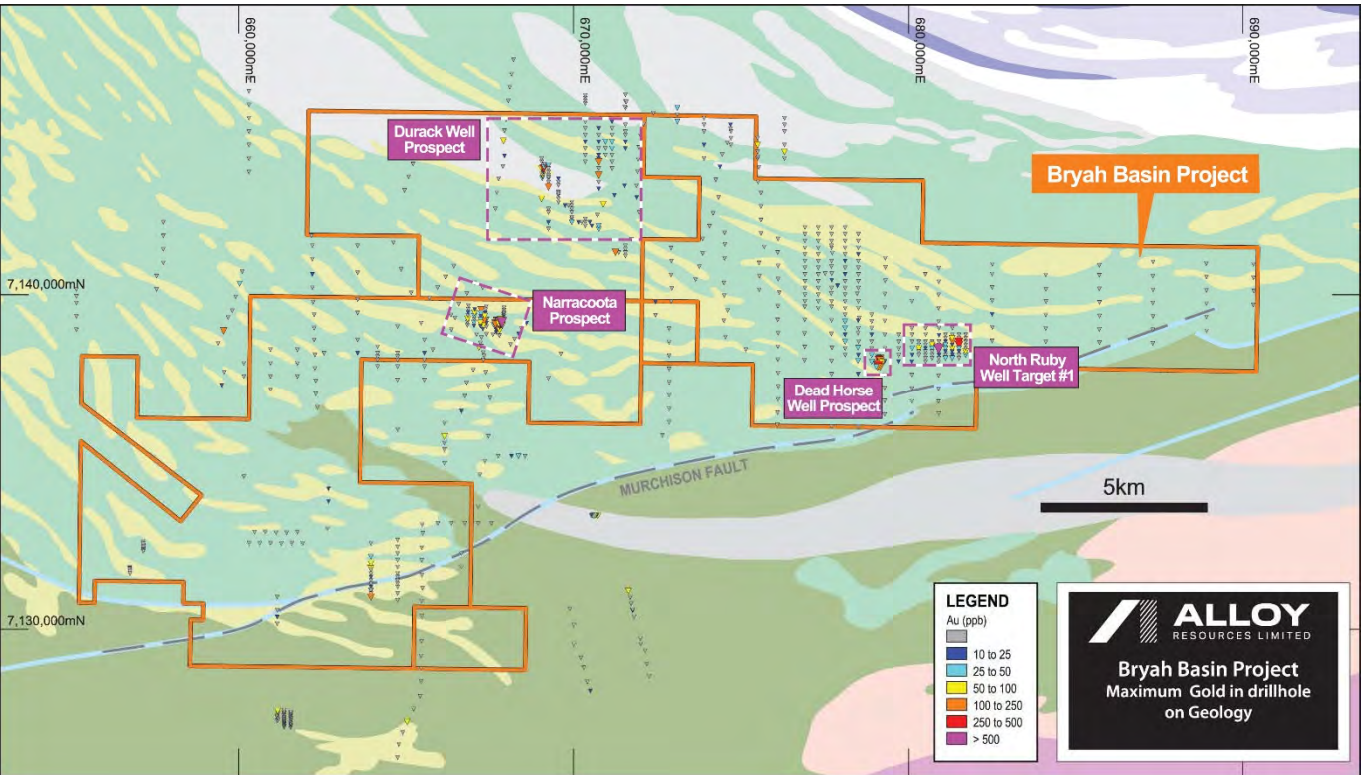


Figure 8 Bryah Basin Project showing copper drill anomalies on geology



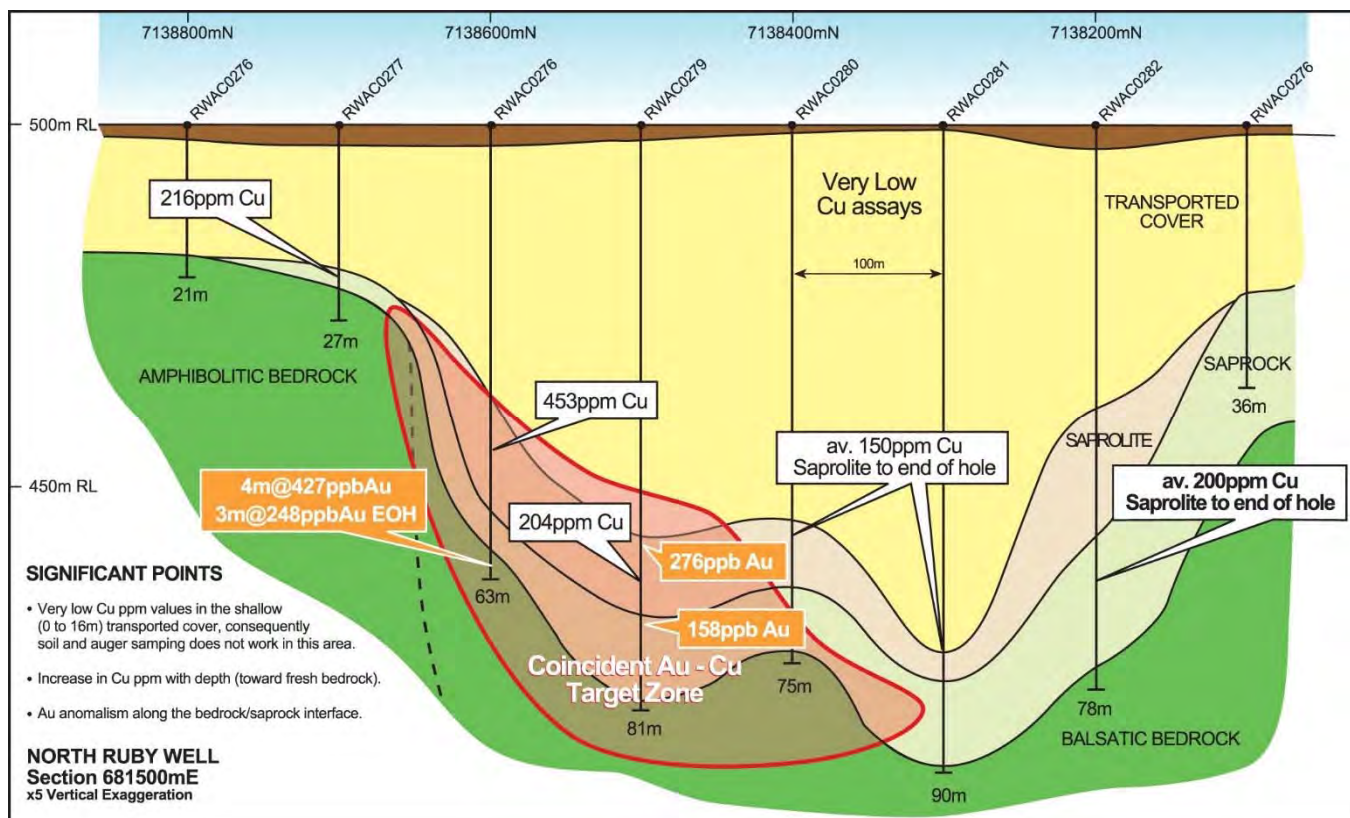


Figure 9 *North Ruby Well – Rubianna Ltd drill cross section showing copper-gold anomaly on geology*

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- *The source of the information presented is from published WAMEX exploration reports available from the Department of Industry and Resources including;*
 1. A37278 Geopeko, Report for EL 52/411 Mt Padbury, 1992
 2. A41382 North Exploration, Annual Report E52/411 Mt Padbury, 1993,
 3. A52735 Golden Cross Operations, Annual Report Dead Horse Well M52/339, 1997
 4. A102004 Rubianna Resources Limited, Annual Report North Ruby Well E52/2387, 2012-2013
 5. A105644 Rubianna Resources Limited, Surrender Report, North Ruby Well E 52/2387, 2015
- *Information sourced from these reports has been utilised to produce maps that are presented as Figures 6, 7 and 8, and Figure 9 is a direct copy from Item 4 above. This presentation can be recreated from the source data listed and other public domain information. This is an accurate representation of the available data and studies.*

Planned Exploration

The Company plans to refine the key targets by completing a full compilation of data and then complete its own interpretation of the known anomalous copper and gold prospect areas.

Priority targets will then be defined for infill soil sampling, air-core drilling and possibly electromagnetic surveying.

As there is very active exploration on neighbouring tenements, this work will also be reviewed as it is released to the market.

Funding for this work is subject to a Capital Raising as outlined in this report.



The Dingo Transaction

The Company is purchasing 100% of the unlisted public Company, Dingo Resources Limited. Upon acquisition of Dingo, Alloy will execute Option Agreements to purchase the Morgan Range and Bryah Basin Projects as follows:

Morgan Range

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

Under the RTX Agreement, Dingo is required to:

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

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

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

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

Bryah Basin

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

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

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

Proposed Transaction Details

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

Share Consolidation

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

Consideration

In consideration for the proposed Acquisition, Alloy proposes at Settlement to issue:

- (a) 45,000,000 fully paid ordinary shares in the capital of Alloy (**Alloy Shares**) to the shareholders of Dingo (on a post-consolidation basis);



(b) 20,000,000 Alloy Shares to Gateway (on a post-consolidation basis); and

(c) 10,000,000 Alloy Shares to RTX (on a post-consolidation basis).

The directors and major shareholders of Dingo have agreed to a 6 month voluntary escrow.

New Director

Following Settlement, it is proposed that Paul Skinner (current director of Dingo) will join the Alloy board. Mr Skinner is a Chartered Accountant with over 35 years experience growing numerous businesses from start up to established successful operations.

Existing Director, Kevin Hart will resign as Non-Executive Director but will remain in his position as Company Secretary. There will be no other changes to management or staff of Alloy.

Shareholder Escrow

The Directors and major shareholders of Dingo have agreed to a six month voluntary escrow.

Capital Raising

Concurrent with the proposed Acquisition, Alloy intends to undertake a placement of 104,999,502 post consolidation shares (which subject to ASX requirements, is intended to be completed in two tranches approximately 180,919,338 (pre-consolidation) shares T1 + 86,908,068 post consolidation shares T2 (subject to shareholder approval) at \$0.02 per share to raise \$2,100,000.

Advisor Shares

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

General Meeting

A General Meeting of shareholders will be held as early as possible (targetting late March 2020), at which approval will be sought for:

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

Proforma Capital Structure

The following indicative capital structure will be in place assuming Alloy shareholder approval is achieved and the capital raising is completed:

	Shares	%
Existing shares	2,088,677,351	
Placement - Tranch 1 (7.1 and 7.1A)	180,919,338	7.97%
	2,269,596,689	
1 for 10 consolidation	226,959,669	58.14%
Dingo Resources	45,000,000	11.53%
Gateway Mining	20,000,000	5.12%
Rio Tinto	10,000,000	2.56%
Placement Tranch 2 (Shareholder approved)	86,908,068	22.26%
JP Equity advisor fee	1,500,000	0.38%
Total	390,367,737	



This ASX announcement was approved and authorised for release by Andy Viner, Executive Chairman of Alloy Resources Limited.

For more information contact:

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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.

