

Alchemy: the art of turning base metals into gold



Alchemy's exploration manager Jono King on an iron outcrop in the Robinson Range

THE market for junior explorers in Australia has lost some investor ardour through the realisation that not all will succeed in grassroots exploration – particularly for uranium – with a growing reality that many will have the begging bowl out for more capital next year.

Alchemy Resources Ltd, which listed late in 2007, is aware of that scenario and is advancing on the basis of developing a significant cash flow in the next year to put some muscle into its corporate position.

The income is seen as coming from three projects from deals struck early in July: the Boorara gold deposit and Nimbus silver project, both 15km east of Kalgoorlie, and iron ore from the Three Rivers Gold Project near Meekatharra. Boorara and Nimbus were acquired from private metallurgical company Polymetals Group which had undertaken shallow mining on the silver-rich Nimbus deposit.

Nimbus has a 250,000t/y plant, including a Merrill-Crowe circuit for silver recovery, that from two open pits produced 3Moz of silver to late 2006.

There have already been parties knocking on the door to utilise the mill and, as part of the purchase deal, Alchemy will share half of the free cash flow from any hire agreement on the plant with Polymetals, up to a maximum of A\$1.4 million.

Another potential early start will come from Boorara, a long-known, large low-grade gold resource of about 2Mt at 1.9g/t. The attraction of Boorara today is its proximity to gold plants in and around Kalgoorlie, and the fact that it has an oxide ore that is an ideal blend for mines getting into deeper, harder ore.

Alchemy acquired the Three Rivers Gold Project from Troy Resources in June, and immediately identified potential for high-grade iron formations in the southern

THE TEAM

WARWICK DAVIES

Chairman

Mr Davies has been a marketing consultant in the iron and steel industry for the past 40 years, including technical and commercial roles with BHP Billiton, Rio Tinto's Hamersley Iron and Robe River Mining Co. He has worked on a variety of senior management and consulting roles, with a strong emphasis on raw materials for China. Since 2004, he has been an executive director of Resource Mining Corporation Ltd.

MICHAEL HANNINGTON

Managing director

Mr Hannington is a geophysicist who then qualified as a lawyer. He has skills that saw him carry out senior executive roles over 12 years on sophisticated global airborne and field exploration and mining contract management, including Geopeko and Aerodata. On

qualifying as a lawyer he spent two years with a law firm before returning to mining to apply his dual skills, spending five years undertaking project contract management for Oxiana Ltd and other companies.

JOHN ARBUCKLE

Company secretary

Mr Arbuckle is an accountant with extensive corporate and commercial experience in the Australian resources sector serving in senior financial management and corporate finance roles with Anaconda Nickel, Mount Gibson Iron and Segue Resources. He has extensive experience in initial public offering, capital raisings and corporate compliance.

ROBERT DOWNEY

Non-executive director

Mr Downey is a lawyer who practices as a barrister and

solicitor of the Supreme Court of Western Australia and the High Court of Australia. His focus has been on corporate law, initial public offerings and other equity raisings and mergers. He is a director of Segue Resources Ltd, Carpathian Resources Ltd and North River Resources plc. He is company secretary of AIM and TSX-V listed Grove Energy Ltd.

JONATHAN KING

Exploration manager

A recognised expert in the geology and geochemistry of the regolith, Mr King was previously a project scientist within the regolith terrains group of Australia's Commonwealth Scientific and Industrial Research Organisation, and a member of the supergene ore genesis group at the University of Western Australia. Companies he has assisted include Rio Tinto Ltd, Gold Fields Ltd, Harmony Gold, Placer Dome and Barrick Gold.



From left to right: Rob Downey, executive director, Jono King, exploration manager, Michael Hannington, managing director, Warwick Davies, chairman, and John Arbuckle, company secretary

part of the project area, which intersect the highly prospective Robinson Range.

Michael Hannington, Alchemy's managing director, is both a geophysicist and lawyer, the latter qualification having been used in recent years by Oxiana Ltd and other companies to manage mining and milling contracts.

He told WMS that the Nimbus plant and Boorara project were priority issues, with the objective that the cash flow they derive will help fund exploration on its large package of properties in Western Australia.

Nimbus passed through several hands via takeovers and was sold to Polymetals by Barrick Gold as a non-core asset largely because it was not a gold project. The property is geologically unique for the Kalgoorlie district as the deeper early discovery holes showed significant zinc and other base metals.

In a recent corporate presentation, Mr Hannington said Alchemy would explore the deeper potential of Nimbus in detail and may seek a joint venture with a company with strong experience in volcanogenic massive-sulphide deposits.

The Three Rivers Gold Project, 120km north of the gold-mining centre of Meekatharra, was acquired from Troy Resources for staged payments totalling A\$2 million and A\$1 million worth of Alchemy shares. Troy will receive a net smelter return on gold produced up to 70,000oz as well as a small royalty on iron ore from the Robinson Range.

The obvious attractions are the Hawkeye and Trapper deposits that have an open-pitabile indicated resource of 1.7Mt at 2.4g/t, based on a conservative 1g/t cut-off



The Nimbus treatment plant

grade. There are regional gold plants, including Barrick's Plutonic plant to the northeast.

Since beginning exploration on Three Rivers, the added attraction has been the tenements that embrace part of the Robinson Range and a field programme has shown outcropping formations of high-grade hematite – and one regional iron-ore project developer told the company that the highest grades of haematite to date were on Alchemy's new ground.

This was confirmed after sampling on an outcropping ridge, extending for 2km and 20m in exposed height and widths of between 30m and 80m, that returned grades of up to 67% iron. Thirty samples recorded grades above 60% iron, with the highest being 67.88%.

11Moz, and the 3-D modelling and regional exploration by Alchemy highlighted a series of targets on its licences, some of which are on the Big Bell-Meekatharra Shear that influenced so much of the region's gold production.

Mr Hannington says that, compared to the Eastern Goldfields – Australia's dominant gold-mining belt – only 20% of the Murchison has exposed rock, whereas in the Eastern Goldfields, that takes in Kalgoorlie, Coolgardie, Menzies, Leonora and Laverton, the exposure was 50%.

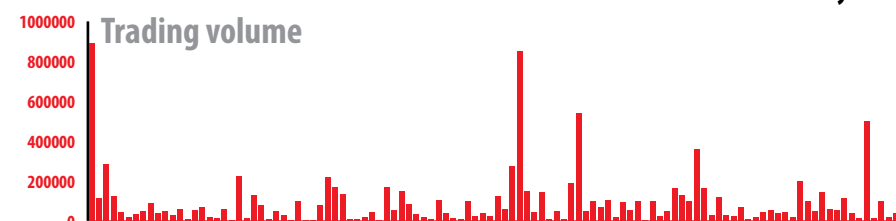
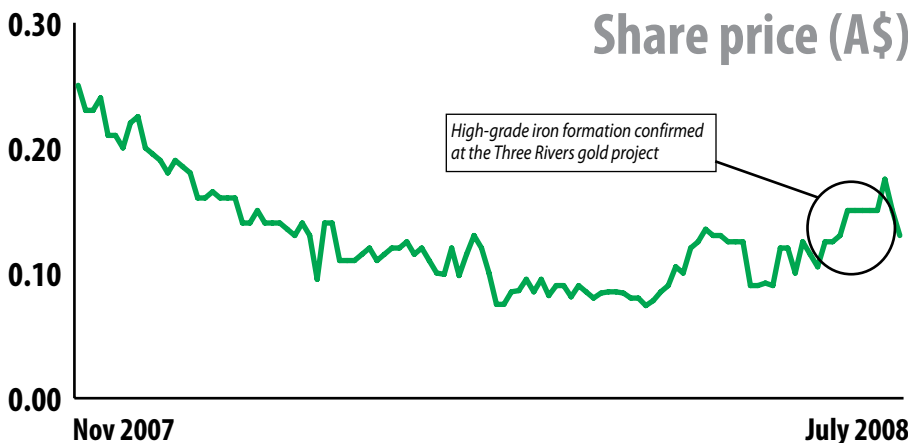
As the result of the 3-D work and major ground holding in the Murchison, the company's door has been rapped by more than one gold major interested in the project areas.

A key reason for this is that many companies now see that the scope for major new mineral deposits lies in areas under cover, and Australia is in dire need of big gold finds.

A second school of thought is that the best place to make good gold discoveries is in regions with the known geology. Alchemy's Murchison ground qualifies on both fronts.



A map showing Boorara-Nimbus in relation to Kalgoorlie's Fimiston region



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SHARE INFORMATION

Listed: ASX
Ticker: ALY
Shares on issue: 21.58 million ordinary shares, 20.91 ordinary restricted shares and 15.568 million options exercisable between August 2010 and June 2003 at prices ranging between A\$0.25 and A\$0.50
Market cap: US\$5 million
Shareholders: Jindalee Resources Ltd 25.2%, Canaccord Capital Australia Pty Ltd 12%
Subsidiaries: Alchemy Resources (Murchison) Pty Ltd