



ABN 17 124 444 122

ANNUAL REPORT

For the period 16 March 2007 to 30 June 2008

For personal use only

Corporate Directory

Directors

Warwick Davies	Non-Executive Chairman
Michael Hannington	Managing Director
Robert Downey	Non-Executive Director
John Arbuckle	Non-Executive Director

Company Secretary

John Arbuckle

Registered Office

1186 Hay Street
West Perth WA 6005
Telephone: (08) 9481 4400
Facsimile: (08) 9481 4404
Email: admin@alchemyresources.com.au
Website: www.alchemyresources.com.au

Auditors

PKF Chartered Accountants
Level 7, BGC Centre
28 The Esplanade
Perth WA 6000

Bankers

National Australia Bank
226 Main Street
Osborne Park WA 6017

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd (ASX)
Home Exchange: Perth, Western Australia

ASX Code: **ALY**
ALYO

Chairman's Letter

Dear Shareholder

Since floating on the Australian Securities Exchange ("ASX") on 26 November 2007, Alchemy has been diligently building a gold exploration company with a strategy to take your company from exploration, to discovery and production as efficiently as possible.

The Company raised a total of \$4.9 million at the IPO and at 30 June 2008 we had cash on hand of \$3.5 million, demonstrating the board's intention to spend your money wisely in these difficult market conditions. We thank our shareholders for their investment and are committed to increasing the value of the company.

The directors' objective in all we do at Alchemy is to add value for our shareholders. This is not easy to achieve as an explorer, but if we adhere to this principle then over time we will be able to measure exploration success not only by what we find but by how cheaply we find it.

In our efforts we are aided and supported by our managers, staff and contractors. I thank everyone who has contributed to our first ten months of activity and continue to encourage the same commitment in the future to assist in the development of Alchemy.

Exploration

Alchemy currently holds over 750km² of mining tenements in the Murchison District of Western Australia between Cue and Meekatharra.

Over these tenements we have collected and integrated the work of all previous explorers with information collected by the Geological Survey of Western Australia and recent field mapping undertaken by Alchemy. We firmly believe that applying the best brains to our exploration effort is key to success and consequently we have put a great deal of effort into our exploration activities.

Alchemy has quickly differentiated itself as a clever explorer. Our 3D model of the entire Murchison District holds all the information we require to assist us to target gold mineralisation. This is the first time the Murchison District has been evaluated in this way and we believe that our first drilling program to be undertaken later this year will highlight our ability to successfully target gold mineralisation.

Acquisitions

In May 2008, after reviewing numerous opportunities that did not meet our investment criteria, Alchemy announced the acquisition of the Three Rivers Gold Project from Troy Resources NL ("Troy"). The offer entailed \$10 for every resource ounce of gold contained over the project tenements plus a further payment on defining a gold reserve. The Hawkeye and Trapper gold deposits contain an indicated mineral resource of 1.7Mt at 2.4g/t gold (above a 1.0 g/t gold cut-off), this equates to 131,000 ounces of contained gold. Consequently, we paid Troy consideration of \$310,000 in cash and \$1,000,000 in Alchemy shares.

Once we prove up the Hawkeye and Trapper deposits to a reserve status of 50,000 ounces of gold Alchemy will be required to make an additional payment of \$690,000 to Troy. This payment will equate to an all up cost of \$40 per reserve ounce of gold capped at 50,000 ounces.

We believe the Three Rivers Project acquisition is a great result for our shareholders. This transaction was completed in July 2008 and we welcome Troy as shareholders.

Chairman's Letter

In late June 2008, Alchemy entered into a letter of intent to acquire Polymetals (WA) Pty Ltd ("Polymetals"). The seeds of this transaction began back in November 2007 when we first spoke to the owners of Polymetals about their Boorara Gold and Nimbus Silver Projects located 15km east of Kalgoorlie. The Company is still working through the due diligence of the assets of Polymetals and hope to complete this deal later this year.

Outlook

Even though Alchemy has been listed for only ten months, the directors takes a long term view when making decisions on our strategy to grow your company.

Our focus on developing a 3D model of the Murchison District rather than focus on merely prospect scale evaluation is part of this strategy to commit to exploration in the Murchison District for the long term. This model will provide benefit to Alchemy for years to come. We believe a long term commitment provides the best odds to find a large gold deposit.

Our acquisition of the Three Rivers Gold Project also highlights our opportunistic ability to add value for shareholders. I am proud to report that your company is operating well; our board is focused on creating shareholder value and our managers are competent and well motivated.



Warwick Davies
Chairman

Directors' Report

The Directors present their report on Alchemy Resources Limited for the period 16 March 2007 to 30 June 2008.

Directors

The names and details of the Company's Directors in office during the financial period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Warwick Davies, BA (Economics), Certificate of Chemistry – Non-Executive Chairman

Mr Davies is a Marketing Consultant with forty years experience in the Iron and Steel Industry including a variety of technical and commercial roles with BHP Steel (Newcastle and Whyalla), Hamersley Iron (Dampier) and Robe River Mining Co (Cape Lambert and Perth), and Resource Mining Corporation.

During the period 1986 to early 2001, Mr Davies was employed by the Robe River Joint Venture in a variety of management roles culminating in a period of five years as General Manager Marketing. Mr Davies has a broad, in-depth knowledge of the world's iron ore and steel industries with an emphasis on South and East Asia, particularly China. In addition to the technical, commercial and strategic planning aspects of the iron ore business, Warwick has a solid background and understanding of the bulk freight market.

As an independent Marketing Consultant, Mr Davies has worked on a variety of assignments associated with the mining industry with particular emphasis on steel making raw materials for China. Since August 2004, Mr Davies has been Executive Director of Resource Mining Corporation developing expertise in the operation of junior exploration companies.

He brings to Alchemy a wealth of practical experience, industry contacts and a clear understanding of the mining industry. Mr Davies was appointed as a director on 16 March 2007.

Other current directorships

Executive Director of Resource Mining Corporation Limited (director since 2005).

Former directorships in last 3 years

None

Michael Hannington, B.Sc LL.B – Managing Director

Mr Hannington has broad experience in the mining industry including approximately twelve years experience as a geophysicist working throughout Australia and North America and more recently approximately five years experience as a lawyer and contracts manager. Mr Hannington has supervised a diverse range of projects and been involved in all facets of the mining industry from project generation and acquisition through to exploration, evaluation drilling and production.

In recent years Mr Hannington has played key roles in financing and managing operations as a contracts manager with Oxiana Limited, having been approached by Oxiana to undertake a varied role in a growing company.

With his strong technical background and commercial and legal skills, Mr Hannington possesses a rare combination of hands-on technical and management expertise with a strong commercial focus. Mr Hannington was appointed as a director on 1 August 2007.

Directors' Report

Other current directorships

None.

Former directorships in last 3 years

Talisman Mining Limited (Resigned 2007)

Robert Downey, B.Ed LL.B (Hons) – Non-Executive Director

Mr Downey has practiced law since 1998, and has been admitted to practice as a barrister and solicitor of the Supreme Court of Western Australia and the High Court of Australia. His focus has been with resource companies in the area of corporate law, initial public offerings, other equity raisings, mergers and acquisitions, with extensive experience with listed companies on the ASX, TSX and AIM markets. Mr Downey was appointed as a director on 16 March 2007.

Other current directorships

North River Resources plc (AIM Listed)

Former directorships in last 3 years

Segue Resources Limited (Resigned 2008), Carpathian Resources (Resigned 2008).

John Arbuckle, B.Bus CPA – Non-Executive Director/Company Secretary

Mr John Arbuckle is a CPA with extensive experience in the mining industry in Australia and overseas. Currently he is a principal of DNA Capital Pty Ltd, which provides corporate and capital financing advice to mining industry companies. His recent positions have included Chief Financial Officer and Company Secretary of Mount Gibson Iron Limited and Chief Financial Officer of Perilya Limited, where he guided both companies through difficult start up phases.

Prior to this he held senior financial management roles with Rio Tinto Limited, North Limited and Anaconda Nickel Limited. He has considerable experience in developing financial and risk management strategies for mining companies and the implementation of accounting controls and systems. Mr Arbuckle was appointed as a director on 16 March 2007.

Other current directorships

Prosperity Resources Ltd

Former directorships in last 3 years

Segue Resources Limited (Resigned 2008), Carpathian Resources Limited (resigned 2008)

Other Directors

Mr Mark Hill was appointed as a director of the Company on 26 June 2007. Mr Hill resigned on 31 January 2008.

Company Secretary

Mr John Arbuckle is also Company Secretary.

Auditor

Mr Neil Smith is the signing partner for Alchemy Resources Limited. Mr Smith is a partner of PKF Chartered Accountants. The auditor's independence declaration is attached later in this Annual Report.

Directors' Report

Principal Activities

The principal activities of the Company during the financial period were the identification of suitable gold exploration and production opportunities and raising capital to fund those opportunities.

Review and Results of Operations

Murchison Projects (Alchemy 80%, Jindalee Resources Limited 20%)

Location

The Murchison Projects comprise six separate project areas situated in the Murchison District of Western Australia between Cue, Big Bell and Meekatharra.

The Projects consist of over 300km² of granted tenements and over 500km² of tenement applications covering a strike length of almost 100km within the Meekatharra-Wydege Greenstone Belt.

Geology

The Meekatharra-Mount Magnet greenstone belts have historically contributed 10% of the gold production of Western Australia. The project areas cover large areas of this late Archaean granitoid-greenstone terrain in the Murchison Province of the Yilgarn Craton. The lode-gold deposits of the greenstone belt are structurally controlled with both disseminated lodes and vein type loads found adjacent to or within shear zones. The projects are located in areas of structural complexity within the greenstone belt along numerous regional scale shear zones including the Big Bell-Meekatharra shear and have significant potential for the discovery of new deposits.

Much of the project area is covered by Cainozoic cover sediments that obscure areas of mineralisation and provide a challenge for gold exploration in the region.

Exploration

Alchemy has identified the potential of its project areas for the discovery of further significant gold deposits in the highly prospective Murchison province. Historically, the project areas have been underexplored with exploration focusing on areas of exposed bedrock and associated areas of shallow cover.

Alchemy's work has focused on integrating multi-spatial datasets (drilling, geochemistry, geological mapping, geophysics etc) into a regional scale 3D model to determine targets for further exploration. Much of this work has involved collating historical datasets into a functional exploration database for the Murchison tenements. This approach has been taken to focus future work primarily on the discovery of a multi-million ounce orebody within Alchemy's tenure. Alchemy has identified numerous large targets in areas of significant cover that have either not been explored or have received inappropriate testing such as widespread use of vacuum and auger drilling which is regarded as an inconclusive test of a targets' potential.

Work has been focused on moving these conceptual targets to the current stage where we have identified clear targets for first pass drilling campaigns.

Gidgee Project

Gidgee consists of a single granted exploration licence covering an area of 211.7km², and located about 40km southwest of the Meekatharra Township.

Exploration through the variably thick transported regolith that accounts for 90% of the project has hindered previous explorers.

Directors' Report

The Gidgee Project area covers a 32km strike length of the prospective lithologies of the Abbotts greenstone belt in close proximity to the Big Bell to Meekatharra regional shear zone. Significant gold mineralisation has been found in quartz veins within granite at Wanganui immediately east of the tenement and at Weebacarry south of the tenement highlighting the general prospectivity of the area. In addition, previous exploration has highlighted two 5km long linear zones of greater than 50ppb gold in aircore at Marsh Bore and Cement Well on the Gidgee tenement, both targets remain untested at depth and have been advanced to the stage where they are to be tested by a program of reverse circulation drilling.

Nine further areas have been targeted for first pass air core drilling of which seven have received no prior exploration work due to the thickness of Cainozoic cover units in the area. The targets are defined by regions of variable structural complexity along the major regional shear corridor and various splays identified off the main shear zone.

Big Bell North

The Big Bell North Project comprises 125.5km² of granted exploration licenses 26km northwest of Cue. The project area covers the stratigraphy along strike from the 3.9Moz Big Bell Gold mine, and more than 10kms of strike length of the Big Bell shear itself.

The project also covers extensions to several regional scale structures including the Cuddingwarra Shear, the Lenlee structure and the BT Shear. Dilational sites associated with closure of the Big Bell Anticline (represented in the south of the project area by a large north-closing fold around a granitic gneiss body) and layer-parallel shearing on the eastern flank all add to the general prospectivity of the area. Observed lithologies include mafic and felsic schists, felsic sediments, basalt/dolerite units and granite gneisses with the geometry of the Big Bell North tenements dominated by large north-northeast trending shear zones and faults.

Significant gold anomalies have already been identified through previous exploration drilling within the project area with one area returning results of up to 10m @ 1.5g/t Au (BRC004) and 7m @ 1.02g/t Au (BRC006) open along strike and this area is to be advanced to RC drilling. However, currently planned air core drilling will focus on unexplored areas of structural complexity thought to have potential for large deposits. Alchemy has developed thirteen target areas for exploration focus in the current year.

Again large areas of prospective stratigraphy are obscured by a thick, variable soil cover, account for over 90% of the project area and has hindered previous explorers providing an opportunity for Alchemy to discover new deposits.

Wydgee Project

Wydgee comprises an area of 117km² including 105km² of granted exploration licenses with the remainder consisting of Prospecting License applications and one Exploration license application located 45km northwest of Cue.

The tenements are situated on the southern side of the Weld Range covering around 10km of strike length of the prospective Mt Weld shear zone and are underlain by a structurally complex stratigraphic sequence. Outcrop within the property is limited to about 25%, with a further 15% of the property comprising residual laterite. The Wydgee tenements consist of poorly outcropping felsic sediments, mafic schists and basalt/dolerite units. Numerous fault zones and shear zones have also been identified throughout the Wydgee tenement with mineralisation hosted in quartz veins and minor stockwork veins observed in historical workings.

Directors' Report

The area was the site of a major gold rush in the early 1980s with the discovery of large amounts of gold nuggets from the soil plains lying over granite surrounding the Weld Range; sources for which are yet to be located.

Past exploration concentrated on suspect vacuum drilling and interface sampling strategies in shallow covered environments suggests many areas have not been adequately tested particularly when results do not compare favourably with those from RAB/AC holes in the area.

Ninden Hill Project

The project comprises a single exploration licence application, covering 97.8km², 28km north of the Cue Township.

Lode vein type gold deposits in differentiated mafic sills, similar in style to the Great Fingall and Golden Crown lodes, and shear hosted gold deposits similar to Cuddingwarra are the target of exploration in the area. Much of the prospective geology is mantled by a variably thick transported regolith that accounts for over 60% of the project area.

A coherent 600 metre long BLEG gold soil anomaly with correlated Cu, Pb, and Zn, is coincident with the trend of the upper part of the dolerite sill. A peak value of 8.6g/t Au was received from chip sampling of a quartz vein exposed within the anomaly. No drill testing has been undertaken on this anomaly.

Further targets, including magnetic features on the eastern margin of the Cuddingwarra Shear Zone, and northeast-trending structural dislocations in north-trending dolerite sills, remain poorly drill tested.

Jeffery Well Project

Jeffery Well consists of a single exploration licence application for 82.6km² and lies 43km north of the Cue Township.

A variably thick, complex regolith mantles more than 80% of the prospective greenstone stratigraphy, which is exposed mainly in the southwest and southeast parts of the property. The thick regolith has hindered past explorers whom have concentrated efforts on areas of exposed bedrock.

Several gold-copper soil anomalies, including a 600m long anomaly has been inconclusively drill tested by interface vacuum and RAB drilling. Numerous historical gold workings are known at the "Stringer" prospect. Intensive exploration has concentrated on the exposed bedrock and shallow cover areas in the project; otherwise it remains largely untouched by modern exploration.

Polelle Project

The Polelle tenement package covers approximately 71.1km² of which 3km² is granted, and lies between 10 and 45 km south of the Meekatharra Township.

The project straddles the eastern border of the Norrie Pluton and covers the north-eastern part of the prospective Meekatharra - Wydgee greenstone belt. The Mt Magnet Shear traverses north-south through the project area.

Gold mineralisation near Polelle is associated with quartz veins and stockworks hosted by sheared ultramafic rocks, altered mafic rocks and quartz-feldspar porphyry. The blind Mulla Mulla prospect owned by Mercator Gold Plc lies on the intervening ground between exploration license applications 51/1225 and 51/1226.

Directors' Report

Reverse circulation drilling intersections include 6 metres at 4.02 g/t Au from 137 metres (MMRC3) and 19 metres at 2.32 g/t Au from 91 metres (MMRC4), 5 metres at 3.82 g/t Au from 124 metres (MMRC15), 31 metres at 2.01 g/t Au from 164 metres (MMRC30) and 16 metres at 2.03 g/t Au from 35 metres (MMRC33). 59 RC holes and 21 aircore holes have been drilled in the prospect.

Several drill holes on Polelle, including one RC fence, have returned significant gold drill intercepts yet have received no systematic follow-up, including the RC fence which is open for over 6km of strike.

Operating Results

The operating loss of the Consolidated Entity after providing for income tax of nil was \$923,592.

Significant Changes in the State of Affairs

There were no changes in the state of affairs of the Consolidated Entity other than those referred to elsewhere in this report of the financial statements or notes thereto.

Significant Events After Balance Date

On 2 July 2008, Alchemy agreed to acquire 100% of the issued capital of Polymetals (WA) Pty Ltd from Polymetals Group Pty Ltd to gain control of the Boorara Gold and Nimbus Silver Projects. Subject to due diligence being conducted, at completion Alchemy will be required to pay the following consideration:

- \$50,000 non-refundable cash deposit;
- \$1,450,000 cash payable on completion date;
- \$1,350,000 in fully paid ordinary shares on a 20 day volume weighted average price, subject to shareholder approval; and
- \$750,000 in cash or fully paid ordinary shares upon delineation of 40,000 ounces of gold reserves.

The Annual General Meeting conducted on 22 July 2008 approved the acquisition of the Three Rivers Gold Project. Consequently, 6,746,100 ordinary fully paid shares and 2,000,000 options exercisable at \$0.25 on or before 31 August 2010 were issued.

Subsequent to the Entitlement Issue Prospectus issued on 13 June 2008, Alchemy issued 15,165,000 options exercisable at \$0.25 on or before 31 August 2010. Furthermore on 18 September 2008, 3,188,400 ordinary fully paid shares and 4,371,000 options exercisable at \$0.25 on or before 31 August 2010 were released from ASX escrow.

There have been no other events subsequent to balance date which are sufficiently material to warrant disclosure.

Likely Developments and Expected Results

Likely developments in the operations of the economic entity are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Consolidated Entity.

Environmental Regulation and Performance

There are no particular and significant environmental regulations that affected the performance of the Consolidated Entity's operations.

Directors' Report

Proceedings on Behalf of the Consolidated Entity

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Consolidated Entity, or to intervene in any proceedings to which the Consolidated Entity is a party, for the purpose of taking responsibility on behalf of the Consolidated Entity for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Consolidated Entity with leave of the Court under section 237 of the Corporations Act 2001.

Remuneration Report (Audited)

Remuneration of directors and executives is referred to as compensation throughout this report. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity including directors of the Consolidated Entity and other executives. They include the five most highly remunerated section 300A directors and executives for the Consolidated Entity. Compensation levels for directors and key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The Board is responsible for compensation policies and practices. The Board, where appropriate, seeks independent advice on remuneration policies and practices, including compensation packages and terms of employment.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Consolidated Entity.

Non-Executive Directors

The Non-executive directors receive a fixed fee for their services of \$25,000 per annum (including statutory superannuation). The Chairman receives \$40,000 per annum (including statutory superannuation).

There is no direct link between remuneration paid to any non-executive directors and corporate performance. There are no termination or retirement benefits for non-executive directors (other than statutory superannuation).

Fixed Compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board where applicable.

Service Contracts

The Company entered into an employment agreement with Mr Michael Hannington to act as Managing Director. The agreement entitles Mr Hannington to receive a salary of \$250,000 per annum (including statutory superannuation). The Company or Mr Hannington may terminate this agreement by providing 3 months' written notice. Mr Hannington has been provided with 3,000,000 unlisted options.

The Company entered into an employment agreement with Mr Jonathan King to act as Exploration Manager. The agreement entitles Mr King to receive a salary of \$180,000 per annum (including statutory superannuation). The Company or Mr King may terminate this agreement by providing 3 months' written notice.

Directors' Report

Remuneration

Details of the remuneration of the directors of the Consolidated Entity and key management personnel are set out in the following table.

The key management personnel of the Consolidated Entity include the directors and the following executive officer:

- Mr Jonathan King – Exploration Manager (commenced employment 1 October 2007)

2008 Name	Short-term Benefits			Post-employment benefits	Share-based Payment	Total	% of Remuneration from options to Total
	Salary and Fees	Cash Bonus	Non-Monetary Benefit	Super-annuation	Options		
	\$	\$	\$	\$	\$	\$	
<i>Directors</i>							
W Davies (a)	52,010	-	-	-	44,000	96,010	45.8
M Hannington	210,237	-	-	18,921	108,299	337,457	32.1
R Downey (b)	71,857	-	-	-	33,000	104,857	31.5
J Arbuckle (c)	49,897	-	-	-	33,000	82,897	39.8
M Hill (d) & (e)	48,000	-	-	-	44,000	92,000	47.8
<i>Executives</i>							
J King (f)	156,374	-	-	11,147	33,000	200,521	16.5
Totals	588,375	-	-	30,068	295,299	913,742	

- (a) Mr Davies received \$46,662 for directors' fees and \$5,348 for services rendered outside of his duties as a director.
- (b) Mr Downey received \$32,257 for directors' fees and \$39,600 for services rendered outside of his duties as a director.
- (c) Mr Arbuckle received \$32,257 for directors' fees and \$17,640 for services rendered outside of his duties as a director.
- (d) Mr Hill ceased in the role of director on 31 January 2008.
- (e) Mr Hill received \$3,750 for directors' fees and \$44,250 for services rendered outside of his duties as a director.
- (f) Mr King received \$123,854 as salary and \$32,520 for services rendered prior to formal employment on 1 October 2007.

With regards to the options granted to Messrs Hannington, Hill, Warwick, Downey, Arbuckle Hill and King the following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise Price	Estimated Volatility	Risk Free Interest Rate
01 August 2007	30 June 2011	\$0.044	\$0.25	60%	5.90%

In respect of the options granted they vested immediately.

Directors' Report

With regards to the options granted to Mr Hannington, the following factors and assumptions were used in determining the fair value of options on grant date:

Grant Date	Expiry Date	Fair value per option	Exercise Price	Estimated Volatility	Risk Free Interest Rate
17 September 2007 (a)	30 June 2012	\$0.041	\$0.37	60%	5.90%
26 November 2007 (b)	30 June 2013	\$0.050	\$0.50	60%	5.90%

(a) vest 1 July 2008; and
(b) vest 1 July 2009.

All options refer to options over ordinary shares of Alchemy Resources Limited which are exercisable on a one for one basis

Meetings of Directors

The following directors' meetings were held during the year and the number of meetings attended by each of the directors during the year were:

Directors	Directors' meetings held	Directors' meetings attended
W Davies	11	11
R Downey	11	11
J Arbuckle	11	11
M Hannington	10	10
M Hill	6	6

Directors' Interests in the Shares and Options of the Company

As at the date of this report, the relevant interest of each director in the shares and options of Alchemy Resources Limited were:

Direct Interest	Ordinary Shares	Options \$0.25 30/06/10	Options \$0.25 30/06/11	Options \$0.37 30/06/12	Options \$0.50 30/06/13
Name					
W Davies	396,500	554,750	1,000,000	-	-
M Hannington	447,661	155,000	1,000,000	1,000,000	1,000,000
R Downey	-	-	750,000	-	-
J Arbuckle	-	-	750,000	-	-

Directors' Report

Indirect Interest	Ordinary Shares	Options \$0.25 30/06/10	Options \$0.25 30/06/11	Options \$0.37 30/06/12	Options \$0.50 30/06/13
Name					
W Davies	-	-	-	-	-
M Hannington	-	-	-	-	-
R Downey (i)	4,896,000	4,264,000	-	-	-
J Arbuckle (i)	4,896,000	4,264,000	-	-	-

(i) Messrs Downey and Arbuckle are both directors of Canaccord Capital (Australia) Pty Ltd which is the legal owner of the shares and options and holds them as trustee for the Big Bird Trust and the Raptor Trust.

Options over Unissued Capital

At 30 June 2008, the following options were on issue:

Number	Exercise Price	Expiry Date
8,318,750	\$0.25	31 August 2010
5,250,000	\$0.25	30 June 2011
1,000,000	\$0.37	30 June 2012
1,000,000	\$0.50	30 June 2013

During or since the end of the financial period no options were exercised.

Officers' Indemnities and Insurance

The Company has, during the financial period, entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities. The insurance premium paid was \$11,437.

During the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers of Rialto Energy Ltd against costs incurred in defending proceedings except for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the Corporations Act 2001, as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was \$11,437.

Non-Audit Services

The Consolidated Entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity and/or Group are important.

Details of the amount paid or payable to the auditor (PKF) for the audit and non-audit services provided during the year are set out in note 17.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of

Directors' Report

non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Dividends

No dividend has been paid since the end of the financial period and no dividend is recommended for the current year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

Signed in accordance with a resolution of the Directors



Warwick Davies
Chairman

Perth, 29 September 2008

AUDITOR'S INDEPENDENCE DECLARATION

As lead engagement partner for the audit of Alchemy Resources Limited for the year ended 30 June 2008, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Alchemy Resources Limited and the entities it controlled during the year.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 29th day of September 2008.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | www.pkf.com.au
West Australian Partnership | ABN 39 542 778 278
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

For personal use only

Corporate Governance Statement

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable, the Company has adopted the Ten Essential Corporate Governance Principles and Best Practice Recommendations ("Recommendations") as published by the ASX Corporate Governance Council.

Further information about the Company's corporate governance practices is set out on the Company's website at www.alchemyresources.com.au. In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of other corporate governance arrangements will be given further consideration.

The Board is responsible for:

- (a) Charting the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- (b) Monitoring the implementation of those policies and strategies and the achievement of those financial objectives and performance against the strategic plan and budgets;
- (c) Monitoring compliance with control and accountability systems, significant disclosures to the market regulatory requirements and ethical standards;
- (d) Ensuring the preparation of accurate financial reports and statements;
- (e) Reporting to Shareholders and the investment community on the performance and state of the Company;
- (f) Ensuring that appropriate audit arrangements are in place;
- (g) Establishing written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for the compliance;
- (h) Designing and disclosing a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings;
- (i) Providing disclosure in relation to the company's remuneration policies to enable investors to understand (a) the costs and benefits of those policies and (b) the link between remuneration paid to directors and key executives and corporate performance;
- (j) Reviewing on a regular and continuing basis:
 - Executive succession planning (in particular for the Managing Director); and
 - Executive development activities; and
- (k) Ensuring that effective and appropriate reporting systems that are in place will, in particular, assure the Board that proper financial, operational, compliance and risk management controls function adequately.

In performing the responsibilities set out above the Board acts at all times:

- (a) In a manner designed to create and build sustainable value for Shareholders; and
- (b) In accordance with the duties and obligations imposed upon them by the Company's Constitution and by law.

The Board must convene regular meetings with such frequency as is sufficient to appropriately discharge its responsibilities.

Corporate Governance Statement

To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee and an Audit and Risk Committee Charter. The Audit and Risk Committee Charter is available on the Company's website. The members of the Audit and Risk Committee during the year were:

- John Arbuckle (Chair and non-executive director)
- Warwick Davies (non-executive director)
- Robert Downey (non-executive director)

The Board has requested the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Board annually reviews the effectiveness of the Board, its committees, individual directors, and senior executives. All directors have an opportunity to contribute to the review process. The performance criteria take into account each director's contribution to setting the direction, strategy and financial objectives of the Company, and monitoring compliance with regulatory requirements and ethical standards.

A majority of the Board should be independent directors.

Delegated Authority

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy of the Board. In carrying out his responsibilities the Managing Director must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with Chairman, may seek independent professional advice from a suitably qualified adviser at the Company's expense. The director must consult with an adviser suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the Board.

The Managing Director has declared, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively, and that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Code of Conduct

The Company's Corporate Code of Conduct is available on the Company's website. This Corporate Code of Conduct sets out the principles and standards expected of the Board, management and employees of the Company when dealing with each other, shareholders and the broad community.

Securities Dealing Policy

The Board has adopted a policy and procedure on dealing in the Company's securities by directors, officers and employees, which prohibits dealing in the Company's securities when those persons possess inside information. It also provides that the written acknowledgement of the Chairman should be obtained prior to trading.

The board sets out below its "if not, why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations:

Corporate Governance Statement

Principle 2 Recommendation 2.4

There is no separate nomination committee. The full Board considers those matters and issues arising that would usually fall to a nomination committee. The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee. Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and achievements, compatibility with other Board members, credibility within the Company's scope of activities, and intellectual and physical ability to undertake Board duties and responsibilities. Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting.

Principle 9 Recommendation 9.2

There is no separate remuneration committee. Due to the small size and structure of the Board, a separate remuneration committee is not considered to add any efficiency to the process of determining the levels of remuneration for the directors and key executives. The Board considers that it is more appropriate to set aside time at Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. When considering matters of remuneration, the Board functions in accordance with the Remuneration Committee Charter.

In addition, all matters of remuneration will continue to be determined in accordance with Corporations Act 2001 requirements, especially in respect of related party transactions. That is, no directors participate in any deliberations regarding his or her own remuneration or related issues.

Income Statement

For the period 16 March 2007 to 30 June 2008

	Notes	Consolidated 2008 \$	Company 2008 \$
Continuing Operations			
Other income	3	150,523	150,523
Other expenses	3	<u>(1,074,115)</u>	<u>(1,843,607)</u>
Loss before income tax		(923,592)	(1,693,084)
Income tax expense	4	<u>-</u>	<u>-</u>
Loss attributable to members of Alchemy Resources Limited		<u>(923,592)</u>	<u>(1,693,084)</u>
		Cents per share	
Earnings per share			
- basic loss per share	16	(4.01)	
- diluted loss per share	16	(4.01)	

Balance Sheet

For the period 16 March 2007 to 30 June 2008

	Notes	Consolidated 2008 \$	Company 2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	3,542,221	3,524,681
Trade and other receivables	6	194,308	172,920
Total Current Assets		3,736,529	3,697,601
Non-Current Assets			
Exploration and evaluation	7	737,885	-
Property, plant and equipment	8	59,653	59,653
Financial asset	9	-	100
Deferred tax asset	4	221,366	-
Total Non-Current Assets		1,018,904	59,753
TOTAL ASSETS		4,755,433	3,757,354
LIABILITIES			
Current Liabilities			
Trade and other payables	10	182,845	175,624
Provisions	11	12,094	12,094
Interest bearing liabilities	12	6,639	6,639
Total Current Liabilities		201,578	194,357
Non-Current Liabilities			
Interest bearing liabilities	12	35,075	35,075
Deferred tax liabilities	4	221,366	-
Total Non-Current Liabilities		256,441	35,075
TOTAL LIABILITIES		458,019	229,432
NET ASSETS		4,297,414	3,527,922
EQUITY			
Issued capital	13	4,884,269	4,884,269
Reserves	14	336,737	336,737
Accumulated losses	15	(923,592)	(1,693,084)
TOTAL EQUITY		4,297,414	3,527,922

Statement of Changes in Equity

For the period 16 March 2007 to 30 June 2008

Consolidated Entity

	Attributable to equity holders of the entity			Total equity
	Issued capital	Reserves	Accumulated Losses	
	\$	\$	\$	\$
At 16 March 2007	-	-	-	-
Issue of shares	5,470,100	-	-	5,470,100
Transactions costs of issuing shares	(585,731)	-	-	(585,731)
Issue of options to employees	-	336,737	-	336,737
Loss for the period	-	-	(923,592)	(923,592)
At 30 June 2008	4,884,369	336,737	(923,292)	4,297,514

Company

	Attributable to equity holders of the entity			Total equity
	Issued capital	Reserves	Accumulated Losses	
	\$	\$	\$	\$
At 16 March 2007	-	-	-	-
Issue of shares	5,470,000	-	-	5,470,000
Transactions costs of issuing shares	(585,731)	-	-	(585,731)
Issue of options to employees	-	336,737	-	336,737
Loss for the period	-	-	(1,693,084)	(1,693,084)
At 30 June 2008	4,884,269	336,737	(1,693,084)	3,527,922

Cash Flow Statement

For the period 16 March 2007 to 30 June 2008

	Notes	Consolidated 2008 \$	Company 2008 \$
Cash flows from operating activities			
Payments to suppliers and employees		(728,325)	(1,483,751)
Interest income		148,076	148,076
Interest expense		(1,242)	(1,242)
Net cash flows from/(used in) operating activities	25	(581,491)	(1,336,917)
Cash flows from investing activities			
Purchase of property, plant and equipment		(19,384)	(19,384)
Payment for exploration expenditure		(737,886)	-
Net cash flows from/(used in) investing activities		(757,270)	(19,384)
Cash flows from financing activities			
Proceeds from issue of shares		5,470,000	5,470,000
Payments for capital raising		(585,732)	(585,732)
Payment of hire purchase		(3,286)	(3,286)
Net cash flows from/(used in) financing activities		4,880,982	4,880,982
Net increase in cash and cash equivalents		3,542,221	3,524,681
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period	5	3,542,221	3,524,681

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

1. Corporate Information

The financial report of Alchemy Resources Limited for the period 16 March 2007 to 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 29 September 2008.

Alchemy Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. The nature of the operation and principal activities of the Company are described in the attached Directors' Report.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and by all entities in the consolidated entity.

2. Statement of Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs), which include Australian equivalents to International Financial Reporting Standards ("IFRS") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB), Urgent Issues Group and the Corporations Act 2001.

Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Report Standards ('IFRS').

New accounting standards and Interpretations not yet adopted

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
New and revised Standards			
<i>AASB 101 Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101</i> The revised standard affects the presentation of changes in equity and <i>comprehensive</i> income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards however, it is important to note that the AASB has decided that <i>Australian</i> issuers must make use in financial reports of the descriptions- Statement of Financial Performance and Position rather than Balance Sheet and Income Statement and use the term "financial report" and not	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, therefore adoption has no impact on amounts recognised in the financial statements.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
"financial statement." The Amending Standard updates references in various other pronouncements.			
<p>AASB 123 <i>Borrowing Costs (Revised)</i>, AASB 2007-6 <i>Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12</i></p> <p>This revision <i>eliminates</i> the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The transitional provision provided allows for prospective application of this revision from either application date or adoption date if prior to 1 January 2009. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	Unless, the group engages in such transactions in future periods, there will be no impact to amounts recognised.
<p>AASB 3 <i>Business Combinations (Revised)</i>, AASB 127 <i>Consolidated and Separate Financial Statements (Amended)</i>, AASB 2008-3 <i>Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p>This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards incorporate many changes which will have a significant impact on the profit and loss for entities entering into business combinations.</p>	Beginning 1 July 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p>AASB 8 <i>Operating Segments</i>, AASB 2007-3 <i>Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8</i></p> <p>This standard supersedes AASB 114 <i>Segment Reporting</i> introducing a US GAAP approach of management reporting as part of the convergence project with FASB. This standard only applies to entities that have public accountability therefore any entities that do not fall within scope may wish to early adopt and</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, therefore adoption has no impact on amounts recognised in the financial statements.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
avoid segment reporting.			
<p>AASB 2008- 1 – Amendments to AASB 2 "Share Based Payments"</p> <p>The <i>amendment</i> clarifies that vesting conditions are restricted to:</p> <ul style="list-style-type: none"> • service conditions; and • Performance conditions only. <p>Other <i>features</i> of a share-based payment are not vesting conditions. This restriction was not clearly stated in the pre-amended standards. This means that all other terms and conditions are accounted for in the value of the share or option at grant date.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard will impact of the effect on the valuation of options issued by the Group. Impact will only be known when new grants occur.

(A) Basis of Accounting

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed where appropriate.

(B) Functional and Presentation of Currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the consolidated entity.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance sheet date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Translation differences arising on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

(C) Use of Estimates and Judgements

The preparation of financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4 Income Taxes and Note 1(S) Employee Benefits.

(D) Basis of Consolidation

Subsidiaries

Subsidiaries are entities 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 statements 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.

Transactions eliminated on consolidation

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

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Interests in joint venture operations

The Consolidated Entity's interest in joint venture operations is accounted for by recognising the Consolidated Entity's share of assets and liabilities from the joint venture, as well as expenses incurred by the Consolidated Entity and the Consolidated Entity's share of net income earned from the joint venture, in the consolidated financial statements

(E) Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

- Interest income is recognised as it accrues.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

(F) Changes to Australian Accounting Standards

Since 1 July 2007, the Group has adopted the following standards and interpretations, mandatory for financial reporting periods beginning on and after 1 July 2007. Adoption of these Standards and Interpretations did not have any material effect on the financial position or the performance of the Group.

- AASB 101 (revised October 2006) *Presentation of the financial statements*
- AASB 7 *Financial Instruments: Disclosures*
- AASB 2005-10 *Amendments of Australian Accounting Standards* (AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023, and 1038)
- AASB 2007-1 *Amendments of Australian Accounting Standards arising from the Interpretation 11* (AASB 2)
- AASB 2007-4 *Amendments of Australian Accounting Standards arising from ED 151 and Other Amendments*
- AASB 2007-7 *Amendments of Australian Accounting Standards* (AASB 1, AASB2, AASB 4, AASB5, AASB107, & AASB 128)
- Interpretation 10 *Interim Financial Reporting Impairment*
- Interpretation 11 *AASB 2- Group and Treasury Share Transactions*

(G) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(H) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

(I) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(J) Investments and Other Financial Assets

The consolidated entity determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or to an equity reserve.

Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in the income statement.

(K) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased Assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

(K) Property, Plant and Equipment (continued)

Subsequent Costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidate entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

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 live in the current and comparative periods are as follows:

- Plant and equipment over 2 to 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Derecognition

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(L) Acquisitions of Assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is the published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measure initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

(M) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences/permits, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (I)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of oil or gas in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to oil and gas property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(N) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(O) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(P) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

(Q) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

(R) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivable and payable are stated with the amount of GST included.

The amount of GST recoverable from the taxation authority is included as part of the receivables in the Balance Sheet. The amount of GST payable to the taxation authority is included as part of the payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(S) Employee Benefits

Share-based payment transactions

The Company provides benefits to employees (including directors) of the Company in the form of share options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a black scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on the date on which the relevant employees become fully entitled to the award ("vesting date"). The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

(S) Employee Benefits (continued)

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(T) Earnings Per Share

Basic Earnings Per Share - is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted Earnings Per Share - adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(U) Joint Ventures

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings.

(V) Comparatives

The company was incorporated on 16 March 2007 and therefore there is no prior period comparative information.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

	Consolidated 2008 \$	Company 2008 \$
3. Revenue and Expenses		
Other income		
Finance income - Banks	148,076	148,076
Other	2,447	2,447
Total other income	<u>150,523</u>	<u>150,523</u>
Expenses		
Depreciation		
- Plant and equipment	4,731	4,731
Total depreciation	<u>4,731</u>	<u>4,731</u>
Write-down of inter-company Loan	<u>-</u>	<u>769,593</u>
Employee benefit and director compensation expense	468,017	468,017
Related party consultancy	64,947	64,947
Expense of share based payments	295,299	295,299
Total employee expense	<u>828,263</u>	<u>828,263</u>

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

	Consolidated 2008 \$	Company 2008 \$
4. Income Tax Expense		
Major components of income tax expense for the period 16 March 2007 to 30 June 2008 are:		
Income Statement		
<i>Current income tax</i>		
- Current income tax charge	-	-
- Adjustments in respect of current income tax of previous years	-	-
Deferred income tax		
- Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in income statement	<u>-</u>	<u>-</u>
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the period 16 March 2007 to 30 June 2008 is as follows:		
Accounting loss from continuing operations before income tax	<u>(923,592)</u>	<u>(1,693,084)</u>
At the statutory income tax rate of 30% (2008: 30%)	(277,078)	(507,925)
- Expenditure not allowable for income tax purposes	88,943	88,943
- Tax losses not brought to account as a deferred tax asset	<u>188,135</u>	<u>418,982</u>
Income tax reported in income statement	<u>-</u>	<u>-</u>

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

	Consolidated 2008 \$	Company 2008 \$
4. Income Tax Expense (continued)		
Deferred income tax		
Recognised on the Balance Sheet	221,366	-
Deferred income tax at 30 June relates to the following:		
<i>Deferred income tax liabilities</i>		
- Capitalised expenditure deductible for tax purposes	221,366	-
	<u>221,366</u>	<u>-</u>
<i>Deferred income tax assets</i>		
- Tax losses	(221,366)	-
	<u>-</u>	<u>-</u>
<i>Net deferred tax asset/(liability)</i>	<u>-</u>	<u>-</u>
Deferred tax assets have not been recognised in respect of the following items:		
- Accrued expenditure	6,000	6,000
- Sundry payables	2,018	2,018
- Provision for employee entitlements	3,629	3,629
- Business related costs	140,576	140,576
- Provision for impairment of loan account	-	230,878
- Tax losses	211,631	211,602
Potential tax benefit at 30%	<u>363,854</u>	<u>594,703</u>

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise benefits.

Tax Consolidation

For the purposes of income taxation, the Company and its 100% controlled Australian entity have not elected to form a tax consolidated group. There will be no consequences to the deferred tax assets, deferred tax liability unutilised tax losses by not joining the consolidated tax regime.

	Consolidated 2008 \$	Company 2008 \$
5. Cash and cash equivalents		
Cash at bank and on hand	<u>3,542,221</u>	<u>3,524,681</u>

The weighted average interest rate for the year was 4.82%

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

	Consolidated 2008 \$	Company 2008 \$
6. Trade and other receivables		
Current		
GST receivable	36,608	15,220
Prepayments	150,000	150,000
Other	7,700	7,700
	<u>194,308</u>	<u>172,920</u>
Non-Current		
Amount receivable from controlled entity	-	769,593
Write down of inter-company loan	-	(769,593)
	<u>-</u>	<u>-</u>
7. Exploration and evaluation		
Opening balance at 16 March 2007	-	-
Acquisition costs (note 27)	110,210	-
Exploration expenditure during the year	627,675	-
	<u>737,885</u>	<u>-</u>
Closing balance at 30 June 2008	<u>737,885</u>	<u>-</u>
<p>The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.</p>		
8. Property, plant and equipment		
Motor vehicle		
- At cost	45,000	45,000
- Accumulated depreciation	(3,384)	(3,384)
	<u>41,616</u>	<u>41,616</u>
Total motor vehicle	<u>41,616</u>	<u>41,616</u>
Office equipment		
- At cost	5,682	5,682
- Accumulated depreciation	(237)	(237)
	<u>5,445</u>	<u>5,445</u>
Total office equipment	<u>5,445</u>	<u>5,445</u>
Computer equipment		
- At cost	13,702	13,702
- Accumulated depreciation	(1,110)	(1,110)
	<u>12,592</u>	<u>12,592</u>
Total computer equipment	<u>12,592</u>	<u>12,592</u>
Total property, plant and equipment	<u>59,653</u>	<u>59,653</u>

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

8. Property, plant and equipment (continued)

Movement in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current period:

	Motor Vehicles	Office Equipment	Computer Equipment	Total
Consolidated:				
Balance at the beginning of the period	-	-	-	-
Acquisitions	45,000	13,702	5,682	64,384
Depreciation expense	(3,384)	(1,110)	(237)	(4,731)
Carrying amount at the end of the period	41,616	12,592	5,445	59,653
Company:				
Balance at the beginning of the period	-	-	-	-
Acquisitions	45,000	13,702	5,682	64,384
Depreciation expense	(3,384)	(1,110)	(237)	(4,731)
Carrying amount at the end of the period	41,616	12,592	5,445	59,653

9. Financial Assets

	Consolidated 2008 \$	Company 2008 \$
Non-Current		
Shares in controlled entities - at fair value	-	100
	-	100

In the financial statements of the Company, investments in subsidiaries are accounted for at cost and included with other financial assets.

The consolidated entity has the following investments in subsidiaries:

	Class	Country of Incorporation	Investment At Cost 2008 \$
Parent Entity			
Alchemy Resources Limited	Ord	Australia	-
Controlled Entity			
Alchemy Resources (Murchison) Pty Ltd	Ord	Australia	100

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

	Consolidated 2008 \$	Company 2008 \$
10. Trade and other payables		
Trade creditors and accruals	182,845	175,624
Trade creditors are non-interest bearing and are normally settled on 30 day terms		
11. Provisions		
Employee benefits	12,094	12,094
12. Interest bearing liabilities		
Current		
<i>Secured</i>		
Hire purchase liabilities	6,639	6,639
Non-current		
<i>Secured</i>		
Hire purchase liabilities	35,075	35,075
a) Assets pledged as security		
Hire purchase liabilities are effectively secured as the rights to the hire purchase asset, recognised in the financial statements revert to the lessor in the event of default.		
The carrying amounts of assets pledged as security for current and non-current borrowings are		
Hire purchase		
Motor vehicle (Note 8)	41,616	41,616
Total assets pledged as security	41,616	41,616
b) Fair value		
The carrying amounts and fair values of borrowings at balance date.		
On-balance Sheet		
<i>Non-traded financial liabilities</i>		
Hire purchase liabilities	41,714	41,714

None of the classes are readily traded on an organised market in standardised form. Fair value is inclusive of costs which would be incurred on settlement of a liability

c) Interest rate risk exposure

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures are predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

12. Interest bearing liabilities (continued) c) Interest rate risk exposure (continued)

Hire Purchase	Fixed Interest rates			
	1 Year or Less	Over 1 Yr to 2 Yrs	Over 2Yr to 3 Yrs	Over 3 Yr to 4 Yrs
Hire purchase liabilities	2,419	1,624	828	116
	9.10%	9.10%	9.10%	9.10%
	Consolidated		Company	
	2008		2008	
	\$		\$	

13. Issued Capital

a) Share capital

Ordinary shares fully paid	4,884,269	4,884,269
----------------------------	-----------	-----------

Consolidated		Company	
2008	2008	2008	2008
Number	\$	Number	\$

b) Movements in ordinary shares on issue

Initial Issue 16 March 2007	3,000,000	30,000	3,000,000	30,000
Issued 17 August 2007	10,000,000	50,000	10,000,000	50,000
Issued 17 September 2007	7,100,000	465,000	7,100,000	465,000
Issued on 26 November 2007 as per IPO	19,500,000	4,875,000	19,500,000	4,875,000
Cost incurred in capital raising	-	(585,731)	-	(585,731)
Balance at 30 June 2008	39,600,000	4,834,269	39,600,000	4,834,269

c) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Consolidated		Company	
2008	2008	2008	2008
Number	\$	Number	\$

14. Reserves

Option Reserve

Balance at beginning of the period	-	-	-	-
Options issued 01 August 2007	7,250,000	295,299	7,250,000	295,299
Options issued 01 September 2007	7,100,000	-	7,100,000	-
Options issued 26 November 2007	1,218,750	41,438	1,218,750	41,438
Balance at end of the period	15,568,750	336,737	15,568,750	336,737

The purpose of the reserve is to record share based payment transactions.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

	Consolidated 2008 \$	Company 2008 \$
15. Accumulated Losses		
Balance at the beginning of the period	-	-
Net loss attributable to members	(923,592)	(1,693,084)
Balance at the end of the period	(923,592)	(1,693,084)

16. Earnings Per Share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Losses used in calculating basic and diluted earnings per share

(923,592)

**2008
Number**

Weighted average number of ordinary shares used in calculating basic and diluted earnings per shares

23,019,492

The entity's options over ordinary shares could potentially dilute basic earnings per share in the future, however, they have been excluded from the calculation of diluted earnings per share because they are anti-dilutive for the either of the years presented.

Since the reporting date and the date of completion of these financial statements, the Company has issued 6,746,100 ordinary fully paid shares and 17,165,000 options exercisable at \$0.25 on or before 31 August 2010 (refer to Note 19).

	Consolidated 2008 \$	Company 2008 \$
17. Auditor's Remuneration		
Amounts received or due and received by PKF for:		
An audit or review of the financial report of the Consolidated Entity	30,668	30,668
Completion of Investigating Accountants Report for the IPO prospectus	12,983	12,983
Taxation advice	2,020	2,020
Total remuneration	45,671	45,671

18. Contingent Assets and Liabilities

There are no material contingent assets or liabilities as at 30 June 2008

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

19. Subsequent Events

On 2 July 2008, Alchemy agreed to acquire 100% of the issued capital of Polymetals (WA) Pty Ltd from Polymetals Group Pty Ltd to gain control of the Boorara Gold and Nimbus Silver Projects. Subject to due diligence being conducted, at completion Alchemy will be required to pay the following consideration:

- \$50,000 non-refundable cash deposit;
- \$1,450,000 cash payable on completion date;
- \$1,350,000 in fully paid ordinary shares on a 20 day volume weighted average price, subject to shareholder approval; and
- \$750,000 in cash or fully paid ordinary shares upon delineation of 40,000 ounces of gold reserves.

The Annual General Meeting conducted on 22 July 2008 approved the acquisition of the Three Rivers Gold Project. Consequently, 6,746,100 ordinary fully paid shares and 2,000,000 options exercisable at \$0.25 on or before 31 August 2010 were issued.

Subsequent to the Entitlement Issue Prospectus issued on 13 June 2008, Alchemy issued 15,165,000 options exercisable at \$0.25 on or before 31 August 2010. Furthermore on 18 September 2008, 3,188,400 ordinary fully paid shares and 4,371,000 options exercisable at \$0.25 on or before 31 August 2010 were released from ASX escrow.

There have been no other events subsequent to balance date which are sufficiently material to warrant disclosure.

20. Segment Reporting

The consolidated entity operates in one business and geographical segment being gold exploration in Australia.

21. Commitments

In order to maintain an interest in the exploration tenements in which the Company is involved, the Company is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Company are subject to the 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. Currently, the minimum expenditure commitments for the granted tenements are \$157,000 per annum.

Commitment of \$29,944 for lease of current premises expires 4 February 2009.

The group purchased a motor vehicle under hire purchase with a carrying amount of \$41,616 which expires within 4 years. Under the terms of the hire purchase, the Group has the option to acquire the asset for \$15,000 at the end of the hire purchase term.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

21. Commitments (continued)

Commitments in relation to hire purchase liabilities are payable as follows

	Consolidated 2008 \$	Company 2008 \$
Within 1 Year	9,057	9,057
Later than one year but not later than five Years	37,643	37,643
Later than five years	-	-
	<hr/> 46,700	<hr/> 46,700
Less: Unexpired hire purchase charges	4,986	4,986
	<hr/> 41,714	<hr/> 41,714
Recognised as a liability	<hr/> 41,714	<hr/> 41,714
Representing hire purchase liabilities:		
Current	6,639	6,639
Non-Current	35,075	35,075
	<hr/> 41,714	<hr/> 41,714

22. Financial Risk Management Objectives and Policies

Financial Risk Management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Commodity risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

The Company and the Group's principal financial instruments are cash, short-term deposits, receivables and payables.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument of cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

22. Financial Risk Management Objectives and Policies (continued)

Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

The following table set out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Consolidated - 2008	Fixed interest rate maturing in					Total
	Floating interest rate	1 Year or less	Over 1 to 5 years	More than 5 years	Non interest bearing	
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalents	3,542,221	-	-	-	-	3,542,221
Trade and other receivables	-	-	-	-	194,308	194,308
	<u>3,542,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,308</u>	<u>3,736,529</u>
Weighted average interest rate	4.82%					
Financial Liabilities						
Trade and other payables	-	-	-	-	182,845	182,845
Interest bearing liabilities	-	6,639	35,075	-	-	41,714
	<u>-</u>	<u>6,639</u>	<u>35,075</u>	<u>-</u>	<u>182,845</u>	<u>224,559</u>
Weighted average interest rate		9.10%	9.10%			
Company - 2008						
Financial Assets						
Cash and cash equivalents	3,524,681	-	-	-	-	3,524,681
Trade and other receivables	-	-	-	-	172,920	172,920
	<u>3,524,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,920</u>	<u>3,697,601</u>
Weighted average interest rate	4.82%					
Financial Liabilities						
Trade and other payables	-	-	-	-	175,624	175,624
Interest bearing liabilities	-	6,639	35,075	-	-	41,714
	<u>-</u>	<u>6,639</u>	<u>35,075</u>	<u>-</u>	<u>175,624</u>	<u>217,338</u>
Weighted average interest rate		9.10%	9.10%			

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

22. Financial Risk Management Objectives and Policies (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below.

	Carrying value at period end	Profit or loss		Equity	
		100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Consolidated - 2008	\$	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	3,542,221	30,721	(30,721)	30,721	(30,721)
Trade receivables	-	-	-	-	-
Cash flow sensitivity (net)		30,721	(30,721)	30,721	(30,721)
Company - 2008	\$	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	3,524,681	30,721	(30,721)	30,721	(30,721)
Trade receivables	-	-	-	-	-
Cash flow sensitivity (net)		30,721	(30,721)	30,721	(30,721)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. This risk is minimised by reviewing term deposit accounts from time to time with approved banks of a sufficient credit rating which is AA and above. The Company does not place funds on terms longer than 30 days and has the facility to place the deposit funds with more than one bank.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated 2008	Company 2008
Consolidated	\$	\$
Cash and cash equivalents	3,542,221	3,524,681

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

22. Financial Risk Management Objectives and Policies (continued)

Impairment losses

None of the Company's receivables are past due. The Group's trade receivables are all current at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility.

The following are the contractual maturities of financial liabilities:

Consolidated - 2008	Carrying amount	Contractual cash flows	6 months or less
	\$	\$	\$
Trade and other payables	182,845	-	182,845
Interest bearing liabilities	41,714	41,714	3,320
	<u>224,559</u>	<u>41,714</u>	<u>186,165</u>
Company - 2008	Carrying Amount	Contractual cash flows	6 months or less
	\$	\$	\$
Trade and other payables	175,624	-	175,624
Interest bearing liabilities	41,714	41,714	3,320
	<u>217,338</u>	<u>41,714</u>	<u>178,944</u>

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group is equal to their carrying value.

Foreign currency risk

The Group's exposure to price risk is minimal at this stage of the operations.

Commodity price risk

The Group's exposure to price risk is minimal at this state of the operations.

Capital risk management

The Company and the Group's objectives when managing capital are to safeguard the Company and the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Company and the Group's capital is performed by the Board.

None of the Group's entities are subject to externally imposed capital requirements.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

23. Key Management Personnel Disclosures

- (a) The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period

Directors

Warwick Davies

Michael Hannington

Robert Downey

John Arbuckle

Mark Hill (resigned 31 January 2008)

Executives

Jonathan King (Exploration Manager)

- (b) Key management personnel compensation

The key management personnel compensation included in employee benefit and director compensation expenses are as follows:

	Consolidated 2008 \$	Company 2008 \$
Short-term employee benefits	588,375	588,375
Post employment benefits	30,068	30,068
Equity compensation benefits	295,299	295,299
	<u>913,742</u>	<u>913,742</u>

Of the \$913,742 incurred as key management personnel remuneration, \$158,173 of short-term employee benefits and \$10,341 post employment benefits were capitalised.

- (c) Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' Report.

Apart from details disclosed in this note, no director has entered into a material contract with the consolidated entity since the end of the previous financial year and there was no material contracts involving directors interests existing at year end.

- (d) Other key management personnel transactions with the Company

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions on an arms-length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

23. Key Management Personnel Disclosures (continued)

	Consolidated 2008 \$	Company 2008 \$
Warwick Davies (i)	52,010	52,010
Robert Downey (ii), (iii), (iv)	183,767	183,767
John Arbuckle (iii), (iv), (v)	183,767	183,767
Mark Hill (vi)	48,000	48,000
J King (vii)	32,520	32,520

- (i) Mr Davies' services as a director were provided by Fairstone Holdings Pty Ltd for which the Company was charged \$46,662. Fairstone Holdings Pty Ltd was also paid consulting fees of \$5,348 for services rendered by Mr Davies outside his duties as a director.
- (ii) For the period to 31 December 2008, Mr Downey's services as a director were provided by Quantum Vis Pty Ltd for which the Company was charged \$19,758.
- (iii) For the period 1 January 2008 to 30 June 2008, DNA Capital Pty Ltd to which Messrs Arbuckle and Downey are directors
- charged the Company \$11,918 for the provision of administrative and office services, provided on normal commercial terms and conditions;
 - provided the services of Messrs Arbuckle and Downey as directors of the Company, of which both received \$25,000;
 - charged the Company \$39,600 for the services rendered by Mr Downey outside his duties as a director of the Company; and
 - charged the Company \$17,640 for services rendered by Mr Arbuckle outside his duties as a director.
- (iv) For the period March 2007 to February 2008, Westwind Capital Pty Ltd to which Messrs Arbuckle and Downey are directors, charged the Company \$19,851 for the provision of administrative and office services provided on normal commercial terms and conditions, and \$50,000 in corporate advisory fees during the IPO process.
- (v) For the period to 31 December 2008, Mr Arbuckle's services as a director were provided by Maybach Consulting Pty Ltd for which the Company was charged \$19,758.
- (vi) For the period to 31 January 2008, Mr Hill's services as a director were provided by Exman Consultancy for which the Company was charged \$3,750. Exman Consultancy was also paid consulting fees of \$44,250 for services rendered by Mr Hill outside his duties as a director.
- (vii) Prior to Mr King commencing full time employment with the Company his services as a consultant were provided by Weston Consultancy Group for which the company was charged \$32,520.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

23. Key Management Personnel Disclosures (continued)

(e) Options and Rights Holdings

	Balance 16 March 2007	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008
<i>Direct Interest</i>					
Directors					
M Hannington	-	3,000,000	-	-	3,000,000
W Davies	-	1,000,000	-	356,500	1,356,500
R Downey	-	750,000	-	-	750,000
J Arbuckle	-	750,000	-	-	750,000
Executives					
J King	-	750,000	-	118,000	868,000
<i>Indirect Interest</i>					
Directors					
M Hannington	-	-	-	150,000	150,000
W Davies	-	-	-	-	-
R Downey	-	-	-	1,816,000	1,816,000
J Arbuckle	-	-	-	1,816,000	1,816,000
Executives					
J King	-	-	-	-	-

Net change other refers to options that have been purchased or sold during the financial period. The movements and balances include related parties of Mr Hannington as required by AASB124, which differs to the disclosure of relevant interests under the Corporations Act 2001 and the ASX Listing Rules.

(f) Shareholdings

	Balance 16 March 2007	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2008
Direct Interest					
<i>Direct Interest</i>					
Directors					
M Hannington	-	-	-	310,000	310,000
W Davies	-	-	-	396,500	396,500
R Downey	-	-	-	-	-
J Arbuckle	-	-	-	-	-
Executives					
J King	-	-	-	118,000	118,000
<i>Indirect Interest</i>					
Directors					
M Hannington	-	-	-	241,000	241,000
W Davies	-	-	-	20,000	20,000
R Downey	-	-	-	4,896,000	4,896,000
J Arbuckle	-	-	-	5,541,000	5,541,000
Executives					
J King	-	-	-	-	-

Net change other refers to shares that have been purchased or sold during the financial period. The movements and balances include related parties of Messrs Hannington, Davies and Arbuckle as required by AASB124, which differs to the disclosure of relevant interests under the Corporations Act 2001 and the ASX Listing Rules.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

24. Share Based Payment

During the period, Messrs Davies, Arbuckle, Downey and Hill were issued 3,500,000 options with an exercise price of \$0.25 on or before 30 June 2011.

Additionally the Group entered into an employment agreement with Mr Hannington as Managing Director and Mr Jonathon King as Exploration Manager. As part of his employment package, Mr Hannington was provided with: 1,000,000 options exercisable at \$0.25 on or before 30 June 2011; 1,000,000 options exercisable at \$0.37 on or before 30 June 2012; and 1,000,000 options exercisable at \$0.50 on or before 30 June 2013. As per Mr Hannington's employment agreement the first tranche of options vest immediately, the second tranche vest from 1 July 2008 and the third tranche vest from 1 July 2009.

As part of his employment package, Mr King was provided with 750,000 options exercisable at \$0.25 on or before 30 June 2011.

In accordance with the Sponsoring Broking Agreement, Novus Capital Pty Ltd was issued 1,218,750 options exercisable at \$0.25 on or before 31 August 2010.

Using the Black Scholes option valuation methodology, the fair value of the options were calculated, taking into account discounts for escrow provisions and the risk that the company may not list on the ASX. The following inputs were used:

Input	Director Options @ \$0.25	Director Options @ \$0.37	Director Options @ \$0.50	Broker Options @ \$0.25
Share price	\$0.15	\$0.15	\$0.15	\$0.15
Exercise price	\$0.25	\$0.37	\$0.50	\$0.25
Expected volatility	60%	60%	60%	60%
Expiry date	30 June 2011	30 June 2012	30 June 2013	31 August 2010
Expected dividends	Nil	Nil	Nil	Nil
Risk free interest rate	5.90%	5.90%	5.90%	5.90%
Value per option	\$0.044	\$0.041	\$0.050	\$0.034
Number of options	5,250,000	1,000,000	1,000,000	1,218,750
Value of options	\$231,000	\$40,888	\$23,411	\$41,438

The value of the director and management options (\$295,299) has been expensed, whereas the value of the broker options (\$41,438) is included as a transaction cost of the issue in Issued Capital.

Movement in number of share options held by directors, consultants and advisors:

	2008 No.
Outstanding at the beginning of the period	-
Granted during the year	7,250,000
Forfeited during the year	-
Exercised during the year	-
Expired during the year	-
Adjustment due to share split	-
Outstanding at the end of the period	<u>7,250,000</u>
Exercisable at the end of the period	5,250,000

The weighted average contractual life for the share options outstanding as at 30 June 2008 is 2.35 years.

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

24. Share Based Payment (continued)

Share options issued and outstanding at the end of the year have the following exercise prices:

Expiry Date	Exercise price	2008 No.
30 June 2011	0.25	5,250,000
30 June 2012	0.37	1,000,000
30 June 2013	0.50	1,000,000

Expenses reflected in the Income Statement are as follows

	2008
	\$
Share options granted in 2008 – equity settled	295,299
	<u>295,299</u>

25. Reconciliation of Cash Flows from Operating Activities

Cash flows from operating activities

	Consolidated 2008 \$	Company 2008 \$
Loss for the period	(923,592)	(1,693,084)
Non-cash flows in profit/(loss):		
- Depreciation	4,731	4,731
- Share based remuneration	336,737	336,737
Changes in assets and liabilities		
- Decrease/(increase) in trade receivables	(44,307)	(22,920)
- Decrease/(increase) in prepayment	(150,000)	(150,000)
- Decrease/(increase) in financial asset	-	(100)
- Increase/(decrease) in trade creditors and accrual	182,846	175,625
- Increase/(decrease) in provisions	12,094	12,094
Net cash from operating activities	<u>(581,491)</u>	<u>(1,336,917)</u>

26. Joint Ventures

The Company has an interest in the following joint venture:

Project	Activities	Equity Interest		Carrying Value	
		2008 %	2007 %	2008 \$	2007 \$
Murchison Project JV	Gold Exploration	80	-	737,885	-

Notes to the Financial Statements

For the period 16 March 2007 to 30 June 2008

26. Joint Ventures (continued)

The Company's aggregate interests in the assets and liabilities of this joint venture are reflected in the following asset and liability categories in the financial statements. The contingent liabilities and commitments in respect thereto are referred to in notes 18 and 21 respectively

	2008
	\$
Non-Current Assets	
Exploration and evaluation	737,885
Share of net assets employed in joint ventures	737,885

27. Business Combinations

Acquisition of Tenements

On 16 March 2007, Alchemy Resources Limited and Alchemy Resources (Murchison) Pty Ltd were both incorporated. At the date of incorporation, Alchemy Resources Limited was allotted 100% of the issued capital of Alchemy Resources (Murchison) Pty Ltd, being 100 shares at \$1.00 each.

On 9 July 2007, Alchemy Resources (Murchison) Pty Ltd, wholly owned subsidiary of Alchemy Resources Limited acquired from Jindalee Resources Limited an 80% interest in mining tenements E20/594, E20/536, E20/507, E20/549, E51/1048, E20/610, P20/1940, P20/1941, E51/1042, E51/1044, M51/859, M51/860, M51/861 and M51/862.

Pursuant to the sale agreement, Jindalee Resources Limited agreed to sell and Alchemy Resources (Murchison) Pty Ltd agreed to purchase the tenements in consideration for the issue of 5,000,000 shares in Alchemy Resources Limited.

The total cost of the combination was \$111,210 and comprised an issue of equity instruments and cash. The Group issued 5,000,000 ordinary shares with a fair value of \$0.01 each, based on the most recent capital raising at the date of the transaction.

The fair value of the identifiable assets as at the date of acquisition are:

	Consolidated Recognised on acquisition	Carrying value
	\$	\$
Tenement acquisition costs	110,210	110,210
Cost of the combination:		
Shares and options issued, at fair value	50,000	
Stamp duty incurred on acquisition	61,210	
Total cost of the combination	111,210	
The cash outflow on acquisition is as follows:		
Cash paid	(61,210)	
Net cash outflow	(61,210)	

Directors' Declaration

In the opinion of the Directors:

- (a) The financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the period ended on that date;
 - ii. complying with Accounting Standards and Corporations Regulations 2001; and
 - iii. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) The remuneration disclosures that are contained in the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures, the Corporations Act 2001 and the Corporations Regulations 2001; and
- (d) This declaration has been made after receiving the declarations required to be made to the directors in accordance with Sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2008 and is made in accordance with a resolution of the Directors.



Warwick Davies
Chairman

Perth, Western Australia
29 September 2008

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE ALCHEMY RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Alchemy Resources Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Alchemy Resources Limited and of the consolidated entity (the consolidated entity). The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | www.pkf.com.au
West Australian Partnership | ABN 39 542 778 278
Level 7, BGC Centre | 28 The Esplanade | Perth | Western Australia 6000 | Australia
PO Box Z5066 | St Georges Terrace | Perth | Western Australia 6831

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms.

Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Alchemy Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of its performance for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 13 of the directors' report for the period ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Alchemy for the period ended 30 June 2008, complies with section 300A of the *Corporations Acts 2001*.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 29th day of September 2008

Shareholders Information

As at 15 September 2008

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 15 September 2008.

1. Distribution of Equity Securities

Analysis of number of equity security holders by size of holding:

	Shares	Options
1 - 1,000	2	1
1,001 - 5,000	16	63
5,001 - 10,000	145	66
10,001 - 100,000	291	114
100,001 and over	54	21
Total	508	265

The number of holders of less than a marketable parcel of ordinary fully paid shares is 19.

2. Substantial Shareholders

Substantial shareholders (ie. shareholders who hold 5% or more of the issued capital):

	Number of Shares	Percentage Held
Jindalee Resources Limited	10,000,000	21.58
Troy Resources NL	6,271,462	13.53
Canaccord Capital (Australia) Pty Ltd <Big Bird A/C>	4,816,000	10.39

3. Voting Rights

(a) Ordinary Shares

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative of attorney will have one vote on a show of hands and on a poll, one vote for each share held.

(b) Options

No voting rights

4. Quoted Securities on Issue

The number of quoted shares and options issued by the Company are set out below:

	Number
Ordinary fully paid shares	21,680,000
Options exercisable at \$0.25 on or before 31 August 2010	15,165,250

5. On-Market Buy Back

There is no current on-market buy back.

Shareholders Information

As at 15 September 2008

6. Unquoted Equity Securities

	Number on issue	Number of holders
Ordinary fully paid shares (10,000,000 held by Jindalee Resources Ltd and 4,816,000 held by Canaccord Capital (Australia) Pty Ltd)	17,920,000	20
Options exercisable at \$0.25 on or before 31 August 2010 (1,816,000 held by Canaccord Capital (Australia) Pty Ltd)	8,318,750	20
Options exercisable at \$0.25 on or before 30 June 2011 (1,000,000 held by Mr M Hannington, 1,000,000 held by Mr W Davies and 1,000,000 held by Mr M Hill)	5,250,000	6
Options exercisable at \$0.37 on or before 30 June 2012 held by Mr M Hannington	1,000,000	1
Options exercisable at \$0.50 on or before 30 June 2013 held by Mr M Hannington	1,000,000	1

7. Top 20 Quoted Shareholders

	Number of Shares	Percentage Held
Jindalee Resources Limited	10,000,000	21.58
Troy Resources NL	6,271,462	13.53
Canaccord Capital (Australia) Pty Ltd <Big Bird A/C>	4,816,000	10.39
Petroleum Ventures Pty Ltd	1,180,000	2.55
Mrs Claire Arbuckle	645,000	1.39
BNS Investments Pty Ltd	628,000	1.36
Lagral Capital SCP	590,000	1.27
Hillben Investments Pty Ltd	556,500	1.20
ANZ Nominees Ltd <Cash Income A/C>	502,000	1.08
Denton Pty Ltd <D&L Family A/C>	474,638	1.02
Mr Michael Hannington	447,661	0.97
Vogue Overseas SA	400,000	0.86
Mr Warwick Davies	396,500	0.86
Mr IS Watson & Mrs CJ Watson <Watson Super A/C>	366,501	0.79
Tyche Investments Pty Ltd	311,500	0.67
Ms Frances Schwarzbach	285,000	0.61
Mr Peter Schwarzbach	251,800	0.54
Yuendumu Mining Company NL	240,000	0.52
Ms Ruth Ashton	200,000	0.43
Antomay Pty Ltd	200,000	0.43
	<hr/>	
	28,762,562	62.05

Shareholders Information

As at 15 September 2008

8. Top 20 Quoted Option holders

	Number of Options	Percentage Held
Canaccord Capital (Australia) Pty Ltd <Big Bird A/C>	2,408,000	15.88
RBC Dexia Investor Services Aust Nominees Pty Ltd	1,559,000	10.28
Ms Frances Schwarzbach	1,075,971	7.09
Jigsaw Geoscience Pty Ltd	1,000,000	6.59
Mr Lindsay Dudfield <LG Dudfield P/F A/C>	520,000	3.43
Ms Karen Addison	500,000	3.30
Mrs Claire Arbuckle	322,500	2.13
Jacobs Pty Ltd	300,000	1.98
Lagral Capital SCP	295,000	1.95
ANZ Nominees Ltd <Cash Income A/C>	231,000	1.52
Mrs Yvonne Dudfield	204,000	1.35
Mr John Walker	200,000	1.32
Mr Julian Coyne	200,000	1.32
Ms Donalea Patman	200,000	1.32
Mr Alan & Mrs Alice Dean <Libero S/F A/C>	200,000	1.32
Mr Warwick Davies	178,250	1.18
Tyche Investments Pty Ltd	155,750	1.03
Mr Michael Hannington	155,000	1.02
Mr John Costa	140,000	0.92
Mr Peter Schwarzbach	125,900	0.83
	9,970,371	65.76

9. Mining Tenements

Location	Tenement Number	Percentage Held
<i>Murchison Project</i>		
Gidgee	E51/1044	80
Wydgee	E20/549	80
Wydgee	E20/610	80
Wydgee	E51/1048	80
Jefferey Well	E20/507	80
Ninden Hill	E20/536	80
Big Bell North	E20/594	80
Big Bell North	E20/667	100
Polelle	E51/1042	80
Polelle	E51/1225	100
Polelle	E51/1226	100
Polelle	M51/859	80
Polelle	M51/860	80
Polelle	M51/861	80
Polelle	M51/862	80

Shareholders Information

As at 15 September 2008

9. Mining Tenements (continued)

Location	Tenement Number	Percentage Held
<i>Three Rivers Project</i>		
Three Rivers	E52/698	100
Three Rivers	E52/1139	100
Three Rivers	E52/1363	100
Three Rivers	E52/1364	100
Three Rivers	E52/1472	100
Three Rivers	E52/1582	100
Three Rivers	P52/906	100
Three Rivers	M52/684	100
Three Rivers	M52/685	100
Three Rivers	M52/686	100
Three Rivers	M52/687	100
Three Rivers	M52/688	100
Three Rivers	M52/689	100
Three Rivers	M52/690	100
Three Rivers	M52/691	100
Three Rivers	M52/722	100
Three Rivers	M52/723	100
Three Rivers	M52/737	100
Three Rivers	M52/753	100
Three Rivers	M52/795	100
Three Rivers	M52/796	100
Three Rivers	M52/797	100
Three Rivers	M52/810	100
Three Rivers	M52/811	100
Three Rivers	M52/819	100
Three Rivers	M52/820	100
Three Rivers	M52/822	100
Three Rivers	M52/823	100
Three Rivers	M52/824	100
Three Rivers	M52/825	100
Three Rivers	M52/826	100
Three Rivers	M52/839	100
Three Rivers	M52/840	100
Three Rivers	M52/841	100
Three Rivers	M52/842	100
Three Rivers	M52/843	100
Three Rivers	M52/844	100
Three Rivers	M52/845	100
Three Rivers	M52/846	100
Three Rivers	M52/847	100
Three Rivers	M52/848	100