



**ABN 17 124 444 122**

**Half-Year Financial Report  
31 December 2007**

## **Corporate Directory**

### **Directors**

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

### **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](mailto:admin@alchemyresources.com.au)  
Web: [www.alchemyresources.com.au](http://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**

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## Table of Contents

TABLE OF CONTENTS.....	2
DIRECTORS' REPORT .....	3
AUDITORS' INDEPENDENCE DECLARATION.....	4
CONDENSED INCOME STATEMENT .....	5
CONDENSED BALANCE SHEET .....	6
CONDENSED CASH FLOW STATEMENT .....	7
CONDENSED STATEMENT OF CHANGES IN EQUITY .....	8
1. CORPORATE INFORMATION .....	9
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	9
3. SEGMENT INFORMATION .....	15
4. REVENUE, INCOME AND EXPENSES .....	16
5. INCOME TAX .....	16
6. CASH AND CASH EQUIVALENTS.....	16
7. COMMITMENTS AND CONTINGENCIES .....	16
8. CONTRIBUTED EQUITY .....	17
9. EVENTS AFTER THE BALANCE SHEET DATE .....	17
10. BUSINESS COMBINATION .....	17
11. EQUITY BASED REMUNERATION .....	18
DIRECTORS' DECLARATION .....	20
INDEPENDENT AUDITOR'S REVIEW REPORT .....	21

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2007.

## DIRECTORS

The names of Alchemy Resource Limited's ("Alchemy" or "Company") directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Warwick Davies

Robert Downey

John Arbuckle

Michael Hannington (appointed 1 August 2007)

Mark Hill (appointed 26 June 2007, resigned 18 January 2008).

## REVIEW AND RESULTS OF OPERATIONS

The Company successfully listed on the Australian Securities Exchange Limited ("ASX") on 26 November 2007, after raising \$4.9 million from the IPO and closing oversubscribed. Prior to the IPO, the Company had raised \$0.5 million from sophisticated and professional investors.

The purpose of the capital raising was to fund the exploration of tenements that had been acquired in the Murchison district from Jindalee Resources Limited.

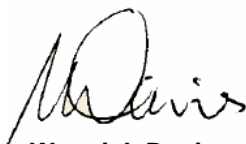
In November 2007, Alchemy was granted E20/594 and E20/667 which constitute the tenements in relation to Alchemy's Big Bell North Project.

The Company incurred a loss for the half year of \$457,390, which includes \$258,485 relating to share based remuneration for options provided to directors and management.

## AUDITOR'S INDEPENDENCE DECLARATION

Alchemy has obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 4.

Signed in accordance with a resolution of the directors



**Warwick Davies**  
Chairman

Perth, 14 March 2008

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Alchemy Resources Limited for the half year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



**PKF**  
Chartered Accountants



**Neil Smith**  
Partner

Dated at Perth, Western Australia this 14<sup>th</sup> day of March 2008.

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | [www.pkf.com.au](http://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.

Liability limited by a scheme approved under Professional Standards Legislation

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated	
		31 December 2007	31 December 2006
		\$	\$
<b>Continuing Operations</b>			
Other Income	4	11,204	-
Other expenses		(468,594)	-
<b>Loss from continuing operations before income tax and finance costs</b>		(457,390)	-
Finance costs		-	-
<b>Loss before income tax</b>		(457,390)	-
Income tax expense	5	-	-
<b>Loss from continuing operations after tax</b>		(457,390)	-
Earnings per share (cents per share)			
- basic; for loss for the half-year		(2.373)	-
- diluted; for loss for the half-year		(2.373)	-

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	Consolidated 31 December 2007 \$	30 June 2007 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	4,444,103	14,609
Trade and other receivables		57,429	15,995
<b>Total Current Assets</b>		<u>4,501,532</u>	<u>30,604</u>
<b>Non-Current Assets</b>			
Exploration and evaluation		290,231	-
Property, plant and equipment		3,945	-
<b>Total Non-Current assets</b>		<u>294,176</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<u>4,795,708</u>	<u>30,604</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		69,340	12,650
<b>Total Current Liabilities</b>		<u>69,340</u>	<u>12,650</u>
<b>TOTAL LIABILITIES</b>		<u>69,340</u>	<u>12,650</u>
<b>NET ASSETS</b>		<u>4,726,368</u>	<u>17,954</u>
<b>EQUITY</b>			
Contributed equity	8	4,884,381	18,500
Reserves		299,923	-
Accumulated losses		(457,936)	(546)
<b>TOTAL EQUITY</b>		<u>4,726,368</u>	<u>17,954</u>

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Notes	Consolidated	
		31 December 2007 \$	31 December 2006 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(202,103)	-
Interest received		11,204	-
<b>Net cash flows from/(used in) operating activities</b>		<u>(190,899)</u>	<u>-</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(3,996)	-
Payment for exploration expenditure		(240,231)	-
<b>Net cash flows from/(used in) investing activities</b>		<u>(244,227)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		5,397,300	-
Payments for capital raisings		(532,680)	-
<b>Net cash flows from/(used in) financing activities</b>		<u>4,864,620</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		4,429,494	-
Cash and cash equivalents at beginning of period		14,609	-
<b>Cash and cash equivalents at end of period</b>	6	<u><u>4,444,103</u></u>	<u><u>-</u></u>

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	<i>Attributable to equity holders of the entity</i>			<i>Total equity</i>
	Contributed Equity \$	Reserves \$	Accumulated Losses \$	\$
<b>At 31 December 2006</b>	-	-	-	-
<b>At 1 July 2007</b>	18,500	-	(546)	17,954
Loss for the period	-	-	(457,390)	(457,390)
Issue of shares	5,440,000	-	-	5,440,000
Transaction costs of issuing shares	(574,119)	-	-	(574,119)
Issue of options	-	299,923	-	299,923
<b>At 31 December 2007</b>	<b>4,884,381</b>	<b>299,923</b>	<b>(457,936)</b>	<b>4,726,368</b>

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**1. CORPORATE INFORMATION**

The financial report of Alchemy Resources Limited (“the Company”) for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 14 March 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 operations and principal activities of the Company are described in note 3.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is also recommended that the half-year financial report be considered together with any public announcements made by Alchemy Resources Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

**(a) Basis of Preparation**

The half-year consolidated financial report is a general purpose financial report, which has been prepared in accordance with the requirement of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except where stated.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

**(b) Significant 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.

**(c) Basis of Measurement**

The consolidated financial statements have been prepared on the historical cost basis.

**(d) 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.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

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 5 Income Taxes and Note 1(t) Employee Benefits.

**(e) 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.

**(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) 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.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**(h) 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.

**(i) 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.

**(j) 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.

**(k) 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.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

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.

**(l) 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.

*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	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.

**(m) 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.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

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 measured 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.

**(n) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure, including the costs of acquiring the licences, 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 (o)). 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 mineral resources 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 mining 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.

**(o) 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.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

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).

**(p) 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.

**(q) 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.

**(r) 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.

**(s) 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.

**(t) 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.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

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.

**(u) 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.

**(v) Comparatives**

This is the first half-year financial report prepared and as the Company was incorporated on 16 March 2007 there are no comparatives for the half-year ended 31 December 2006.

**3. SEGMENT INFORMATION**

The Company operates in one business and geographical segment being mineral exploration and prospecting for minerals in Australia.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

<i>Consolidated</i>	
<i>31 December</i>	<i>31 December</i>
<i>2007</i>	<i>2006</i>
<i>\$</i>	<i>\$</i>

---

**4. REVENUE, INCOME AND EXPENSES**

**(a) Revenue, Income and Expenses from Continuing Operations**

<i>Other income</i>		
Finance income	11,204	-
Total other income	<u>11,204</u>	<u>-</u>

*Included in Other expenses:*

Depreciation	51	-
Share based remuneration	258,485	-
Employee benefits	137,427	-

**5. INCOME TAX**

The major components of income tax expense for the half-year ended 31 December 2007 are:

**Consolidated Income Statement**

<i>Current Income tax</i>		
Current income tax charge	-	-
Adjustments in respect of current income tax of previous years	-	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in the consolidated income statement	<u>-</u>	<u>-</u>

<i>Consolidated</i>	
<i>31 December</i>	<i>30 June</i>
<i>2007</i>	<i>2007</i>
<i>\$</i>	<i>\$</i>

---

**6. CASH AND CASH EQUIVALENTS**

For the purposes of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	7,224	14,609
Short term deposits	4,436,879	-
	<u>4,444,103</u>	<u>14,609</u>

**7. COMMITMENTS AND CONTINGENCIES**

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 \$172,000 per annum.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

<i>Consolidated</i>	
<i>31 December</i>	<i>30 June</i>
<i>2007</i>	<i>2007</i>
<i>\$</i>	<i>\$</i>

**8. CONTRIBUTED EQUITY**

Ordinary shares (i)	<u>4,884,381</u>	<u>18,500</u>
---------------------	------------------	---------------

*(i) Ordinary shares*

Full paid ordinary shares carry one vote per share and carry the right to dividends.

<i>Movement in ordinary shares on issue</i>	<i>Number</i>	<i>\$</i>
At incorporation date – 16 March 2007	-	-
Issued during period	3,000,000	30,000
Transaction costs on share issue	-	(11,500)
At 30 June 2007	<u>3,000,000</u>	<u>18,500</u>
Issued during period	36,600,000	5,440,000
Transaction costs on share issue	-	(574,119)
At 31 December 2007	<u>39,600,000</u>	<u>4,884,381</u>

*(ii) Options*

The Company has on issue unlisted options to subscribe for ordinary shares. During the half year no options were converted to ordinary fully paid shares. The reconciliation for the issue of these options is as follows:

<i>Movement in options</i>	<i>Number</i>	<i>Option Reserve</i> <i>\$</i>
Issued to directors and management		
- Exercisable at \$0.25 on or before 30 June 2011	5,250,000	231,000
- Exercisable at \$0.37 on or before 30 June 2012	1,000,000	17,074
- Exercisable at \$0.50 on or before 30 June 2013	1,000,000	10,411
Issued to seed investors		
- Exercisable at \$0.25 on or before 31 August 2010	7,100,000	-
Issued to brokers at IPO		
- Exercisable at \$0.25 on or before 31 August 2010	<u>1,218,750</u>	<u>41,438</u>
Balance at 31 December 2007	<u>15,568,750</u>	<u>299,923</u>

**9. EVENTS AFTER THE BALANCE SHEET DATE**

In March 2008, Alchemy announced that it has entered into a drilling contract with Alliance Drilling Pty Ltd, which guarantees Alchemy will have access to an exploration drill rig until 30 June 2009.

Otherwise, no other matters or circumstances have arisen since the end of the half year which have significantly affected or may significantly affect the operations or the state of affairs of the consolidated entity in the future financial years.

**10. BUSINESS COMBINATION**

**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.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

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:

	<i>CONSOLIDATED</i>	
	<i>Recognised on acquisition</i>	<i>Carrying value</i>
	\$	\$
Tenement acquisition costs	110,210	110,210
	<u>110,210</u>	
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	<u>111,210</u>	
The cash outflow on acquisition is as follows:		
Cash paid	61,210	
Net cash outflow	<u>61,210</u>	

**11. EQUITY BASED REMUNERATION**

During the half year, 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.

**ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

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:

<b>Input</b>	<b>Director Options @ \$0.25</b>	<b>Director Options @ \$0.37</b>	<b>Director Options @ \$0.50</b>	<b>Broker Options @ \$0.25</b>
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	\$17,074	\$10,411	\$41,438

The value of the director and management options (\$258,485) has been expensed, whereas the value of the broker options (\$41,438) is included as a transaction cost of the issue in Issued Capital.

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Alchemy Resources Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - i. give a true and fair view of the financial position as at the 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
  - ii. comply with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (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.

On behalf of the Board



Warwick Davies  
Chairman

Perth, 14 March 2008



Chartered Accountants  
& Business Advisers

## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF ALCHEMY RESOURCES LIMITED**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Alchemy Resources Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Alchemy Resources Limited and the entities it controlled at 31 December 2007 or from time to time during the half year ended on that date.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alchemy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is

Tel: 61 8 9278 2222 | Fax: 61 8 9278 2200 | [www.pkf.com.au](http://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.

Liability limited by a scheme approved under Professional Standards Legislation

substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alchemy Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



**PKF**  
Chartered Accountants



**Neil Smith**  
Partner

Dated at Perth, Western Australia this 14<sup>th</sup> day of March 2008.