

16 October 2009

EXPLORATION UPDATE - NARRACOOTA FORMATION

HIGHLIGHTS

- **Field mapping completed on Narracoota Formation identified within Alchemy acreage, adjacent to Sandfire Resources NL's tenements**
- **Examining best geological and geophysical techniques to identify possible drill targets**

Alchemy Resources Limited (ASX Code: ALY) (the "Company" or "Alchemy") is pleased to advise that its geological team has completed the second phase of field mapping over the southern and eastern portions of Alchemy's Three Rivers tenements to gain a better understanding of the extent of the Narracoota Formation, which was identified on Alchemy's acreage.

Alchemy's Three Rivers tenements are directly west of, and adjacent to, Sandfire Resources NL's tenements, which contain the DeGrussa and Conductor 1 copper-gold deposits (Fig. 1). Sandfire Resources NL has identified that the Narracoota volcanics is the prospective stratigraphy which hosts those deposits.

Historical mapping by the Geological Society of Western Australia ("GSWA") indicates that the Narracoota Formation continues into Alchemy's tenements (Fig. 2). Initial interpretation of the field mapping conducted in September 2009 defined a 10km long strike length of felsic volcanics adjacent to the Narracoota Formation within Alchemy's tenements.

Alchemy's geologists have now completed field mapping over the southern and eastern portions of Alchemys' Three Rivers tenements to fully define the extent of the Narracoota Formation and felsic volcanic contact, which has been interpreted to extend across to the western boundary of Alchemy's tenements.

Alchemy's future planned exploration program in respect of the Narracoota Volcanics will involve:

- **Gaining an understanding of the underlying structural geology** - field maps prepared by the geologists are currently being digitised and rock chip sampling of outcropping structures are awaiting assay results for analysis and interpretation;
- **Assessment of future geological work required** - such as multi-element soil sampling;
- **Assessment of future geophysical work required** - such as Airborne VTEM to evaluate the prospective volcanic sequences. This technique was used by Sandfire Resources NL to define additional copper-gold targets within its tenements; and
- **Drilling of defined target areas** - a combination of RC and air core drilling to test structural or geophysical targets delineated by the Airborne EM

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Following its recent share placement of \$2.5 million and the exercise of options by optionholders, Alchemy is well funded and able to quickly drill prospective areas as Native Title has been extinguished over the Narracoota Formation area on the Three Rivers tenements.

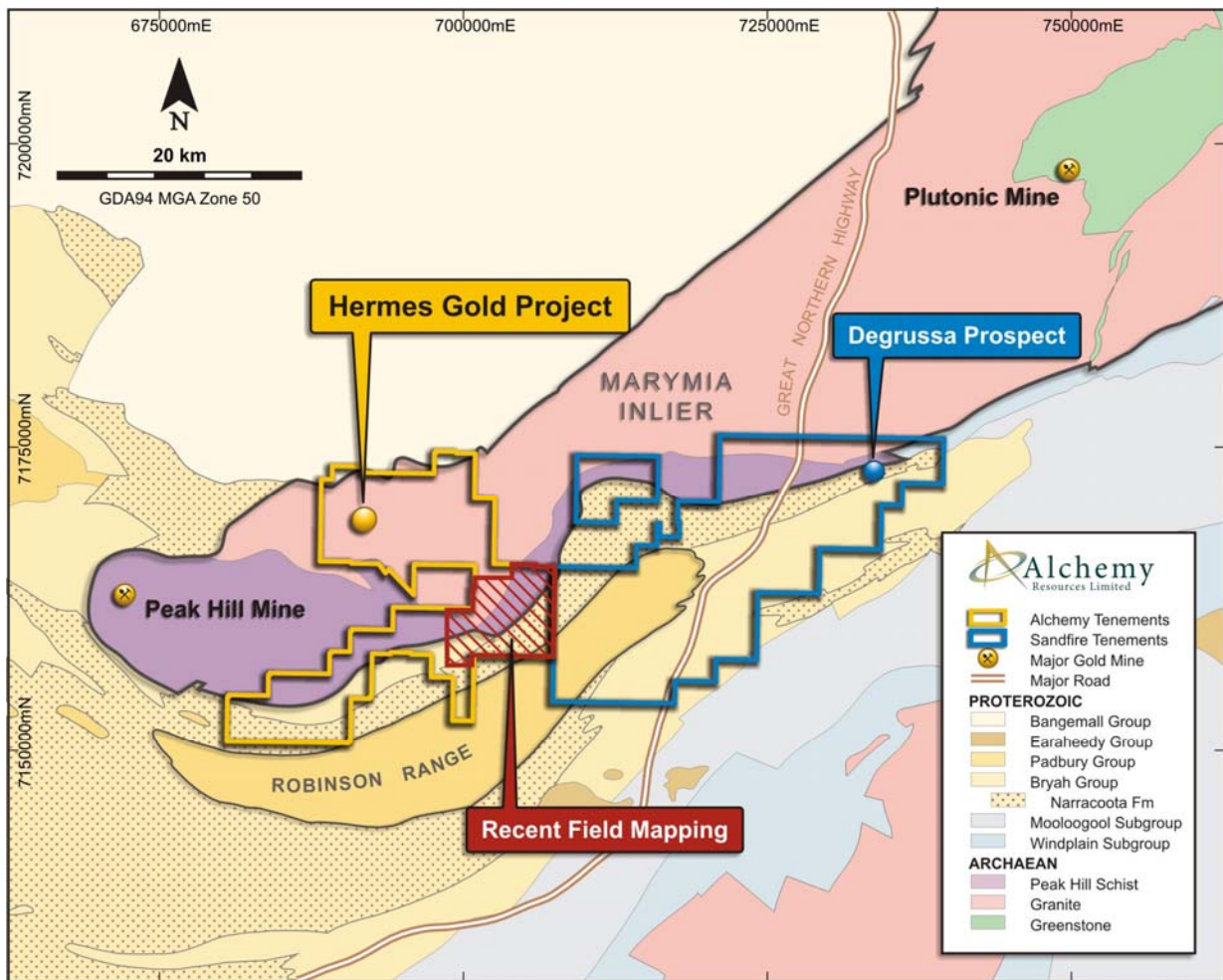
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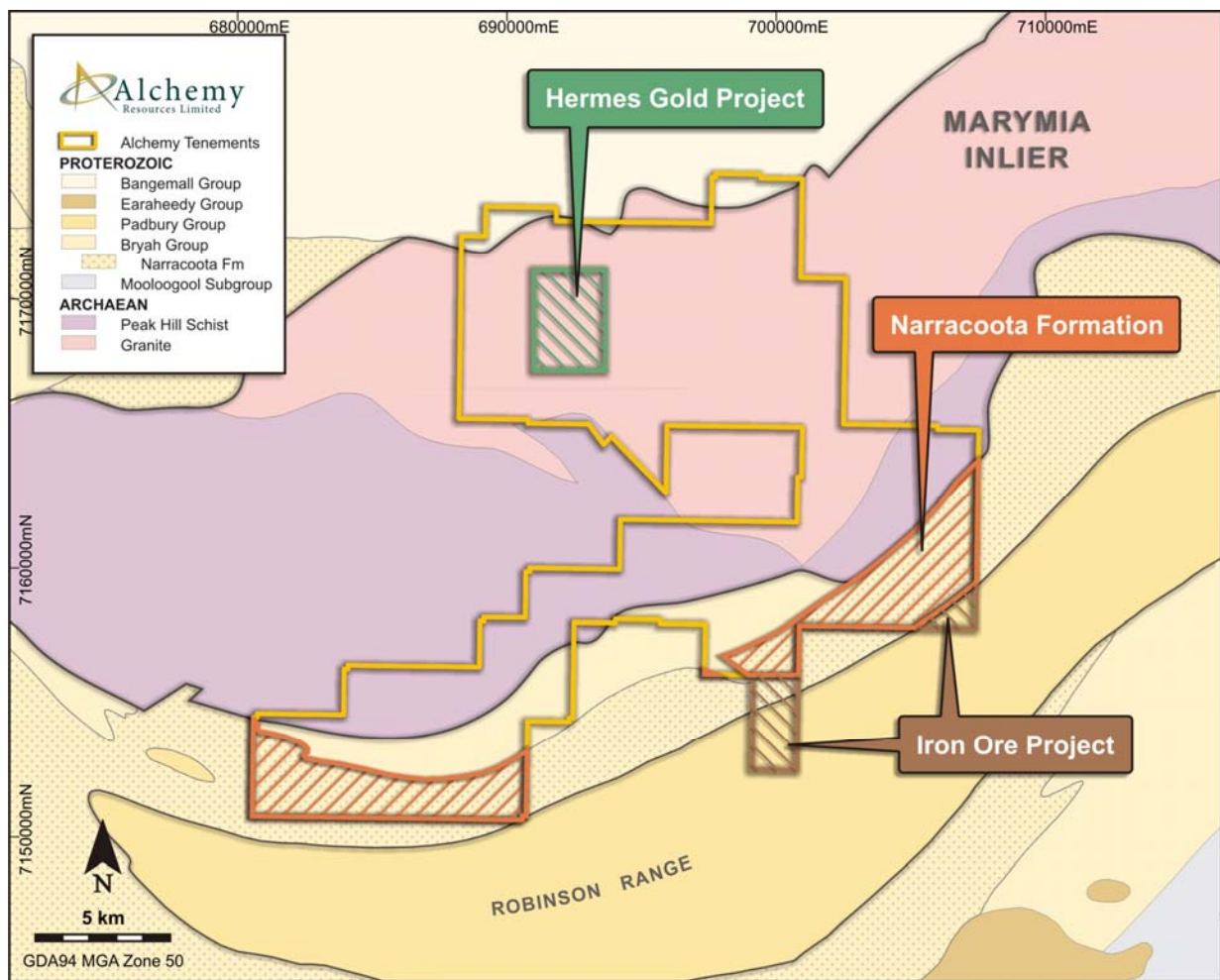
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Figure 1. - Field Mapping in Eastern region of Three Rivers Tenements



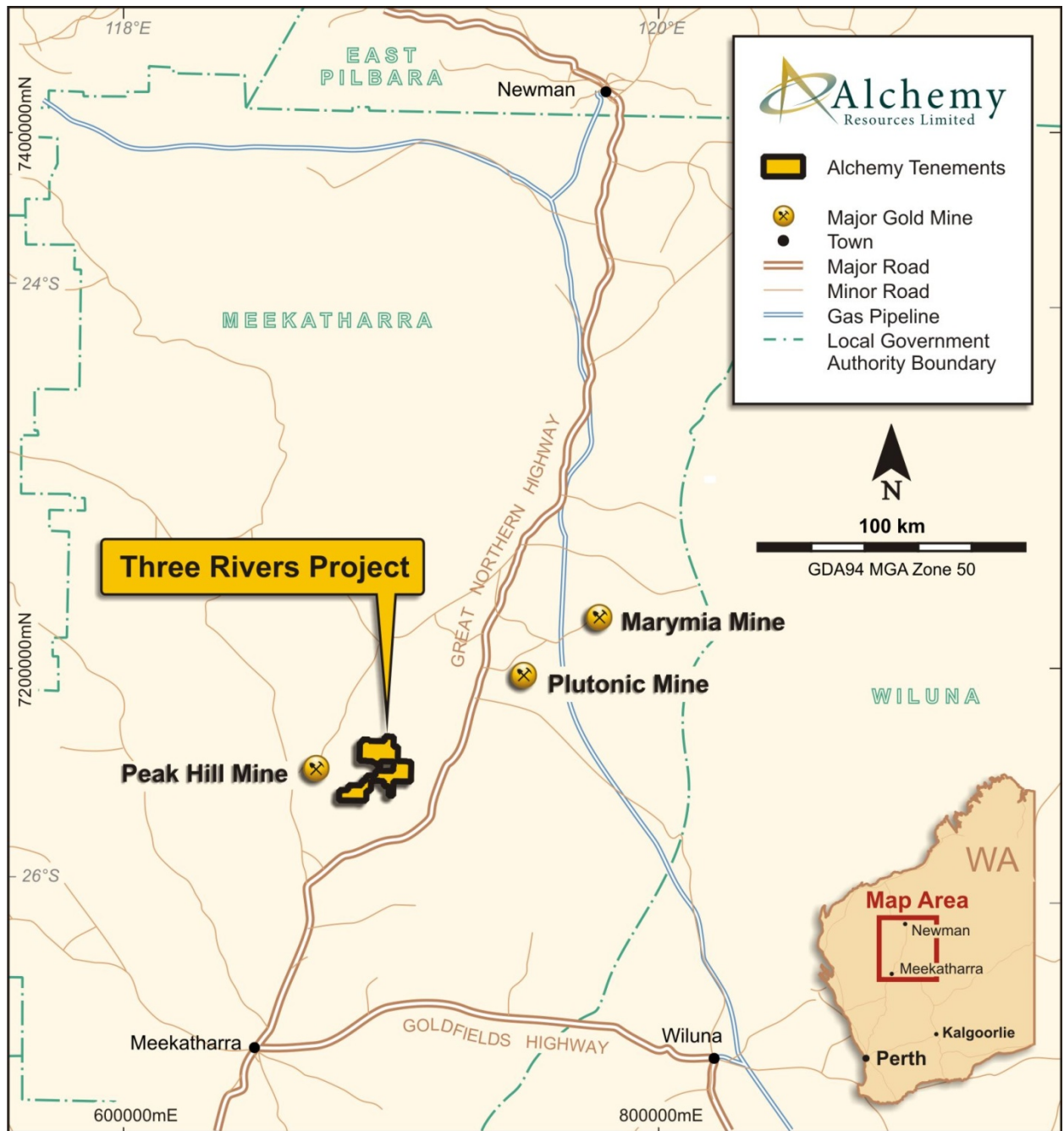
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Figure 2. - Location of Narracoota Formation on Three Rivers Tenements



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Figure 3. - Three Rivers Project Location Map



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