

ASX Announcement

26 July 2010

Alchemy Update – Gascoyne Region

Alchemy Resources Limited (“Alchemy” or the “Company”) (ASX Code: ALY) advises that it has lodged applications for forfeiture over fifteen tenements adjacent to Alchemy’s tenements in the Gascoyne district of Western Australia (“Applications”) that are held by Grosvenor Gold Pty Ltd (Receivers and Managers appointed) (“Grosvenor Gold”). A map showing the affected tenements is attached as Figure 1 (“Grosvenor Tenements”).

Alchemy considers the Grosvenor Tenements to be highly prospective for mineralisation similar to Alchemy’s Hermes Gold Project and Sandfire Resources NL’s DeGrussa VMS deposit.

The Grosvenor Tenements cover approximately 40,200ha. Alchemy’s existing Gascoyne tenements cover approximately 26,600ha.

All tenements in Western Australia carry an obligation to meet statutory expenditure requirements, commonly referred to as the “use it or lose it” principle. Grosvenor Gold as tenement holder had a receiver and manager appointed to its assets by BlueCrest Mercantile III BV, a Dutch based hedge fund and security holder of all of the assets of Grosvenor Gold, on 8 July 2008. Alchemy alleges that Grosvenor Gold has failed to comply with its expenditure obligations on all the Grosvenor Tenements.

The Applications have now been transferred from Meekatharra to be heard by the Warden in Perth. Alchemy has received notice today that the first mention hearing date before the Warden will be on 20 August 2010. At this mention hearing the Warden may give directions as to the conduct of the matter. Alchemy does not expect the matter to go to trial before the first quarter of 2011.

Should Alchemy be successful in this action, it will seek as a remedy the forfeiture of the Grosvenor Tenements and for Alchemy to be granted a right to lodge new mining tenement applications over this area in priority to other explorers.

Alchemy Managing Director Michael Hannington said “As with all legal actions the outcome is uncertain, however, Alchemy would not have commenced this action unless it had considered the strength of its claim and the value to shareholders to be gained by acquiring prospective ground adjacent to the Company’s existing tenements”.

– ENDS –

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ABOUT ALCHEMY RESOURCES

Alchemy is actively exploring four key areas; the Magnus Copper-Gold Project, the Hermes and Wilgeena Gold Projects, and the Murchison Projects (comprising six separate areas in the Murchison District).

The Magnus Copper/Gold Project is at the beginning of a rapid evaluation that will see drill testing of conductors identified by the VTEM survey, downhole EM and gold in soil anomalies associated with prospective areas identified by recently completed geological field mapping. An initial RC drill program was completed in May 2010 (refer to ASX announcement on 25 May 2010), and Alchemy will devote significant expenditure to additional drill programs over the next six months of 2010.

The Hermes Gold Project is the most advanced with a JORC code-compliant resource and an active drilling campaign. The Hermes Gold Project was originally acquired from Troy Resources NL in June 2008. Alchemy was attracted to the project by the existing JORC code-compliant Indicated gold resource of **1.7Mt @ 2.4g/t gold** (equivalent to **131,000** ounces of gold), which the Company believes can be quickly developed to fund future exploration expenditure.

The Wilgeena Gold Project, located 20 kilometres south of Hermes, was identified as a key exploration target in 2009. Alchemy commenced a RC and diamond drill program in March 2010 with the aim to confirm and extend existing zones of gold mineralisation, previously explored by Plutonic Operations Ltd in 1997. This drilling has enabled Alchemy to estimate a JORC code-compliant Indicated gold resource of **659,480 @ 2.34g/t gold** (equivalent to **49,536** ounces of gold) for this advanced project.

The Murchison project comprises over 600 km² of prospective greenstone, mostly located between the Big Bell Mine (3.9 Moz) and Paddy's Flat (2 Moz). Some of the Murchison project tenements are a Joint Venture with Jindalee Resources.

Following a successful capital raising in March 2010, Alchemy is now fully funded for a concerted exploration effort at its Projects in the Gascoyne and Murchison Districts.

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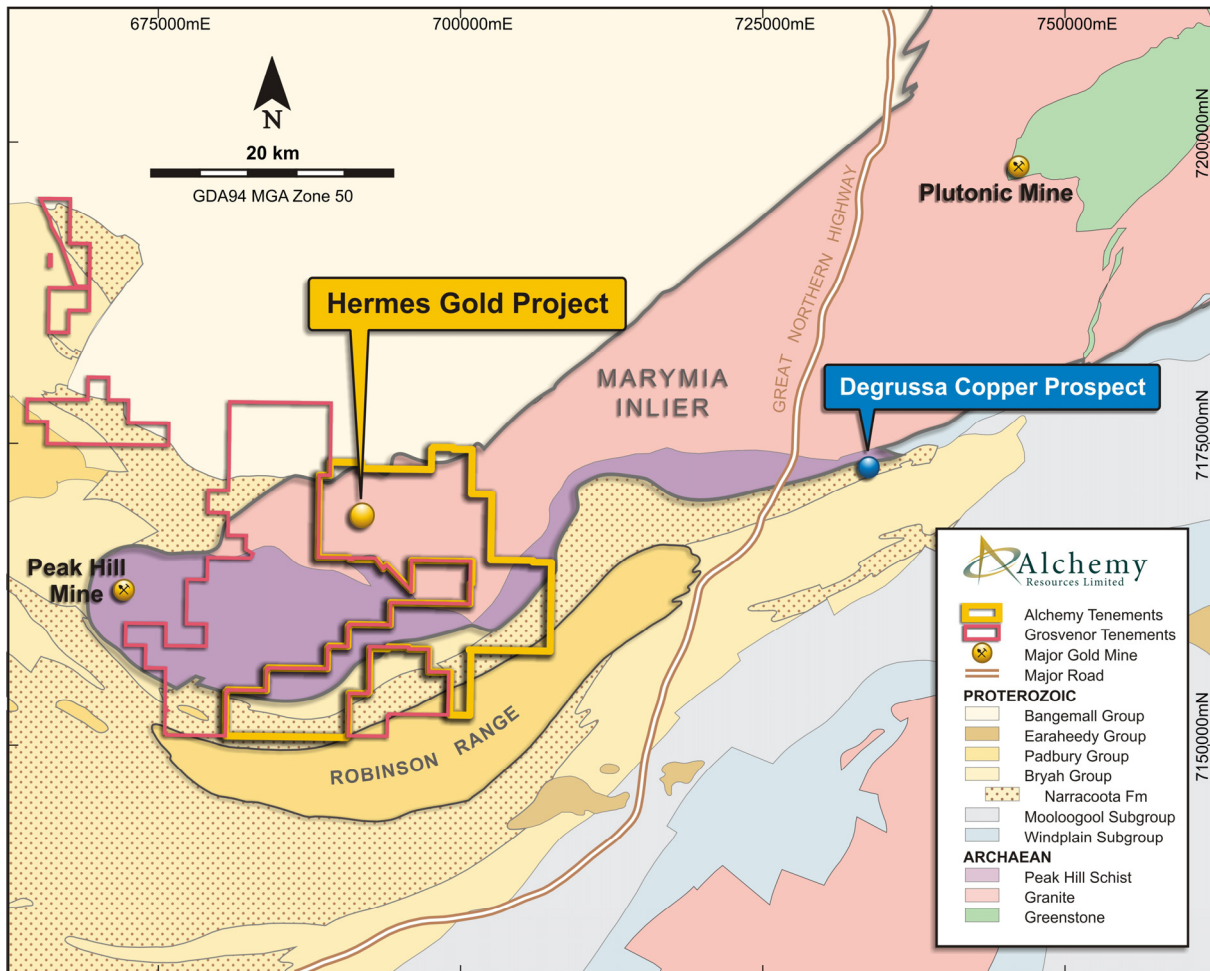


Figure 1. – Location of Grosvenor Gold tenements subject to Alchemy’s application for forfeiture