

ASX Announcement

28 October 2010

## Major drilling campaign to commence at key gold and copper-gold targets

- **15,000m drilling program to start this week and run continuously until mid-December 2010**
- **RC and Aircore drilling to follow-up previous highly promising results from five key gold prospects and one prospective copper-gold target adjacent to Sandfire Resources' DeGrussa discovery**
- **Strong news flow anticipated as assays are received in the weeks leading up to Christmas**
- **Results of 1m-samples at Central Bore Prospect reveal mineralisation over substantial widths and robust grades, including 9m @ 7.19g/t, 9m @ 7.82g/t, 13m @ 2.58g/t and 3m @ 10.27g/t gold**

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Alchemy Resources Limited ("Alchemy" or the "Company") (ASX: **ALY**) is pleased to advise that it has started a 15,000m drilling program, which will operate continuously until shortly before Christmas at six of the Company's highly promising gold and copper gold exploration targets in Western Australia.

The program will involve Reverse Circulation (RC) and Aircore (AC) drilling rigs following-up successful preliminary results from previous AC drilling, geochemistry and helicopter-borne VTEM surveys. All significant results will be released as they become available as part of the Company's commitment to maintaining news flow over the remainder of this calendar year.

### **Magnus Drilling**

At the Magnus Project, which sits adjacent to Sandfire Resource's spectacular DeGrussa copper-gold find (Figure 1), Alchemy will implement three drilling programs, two of which will focus on gold prospects and one on copper-gold targets.

A targeted 1,500m RC drilling program for 10 holes will be undertaken at Magnus to test several copper-gold targets, which have been identified by examining the results of Alchemy's gravity surveys, soil sampling, mapping, ground EM, downhole EM, helicopter-borne VTEM survey, previous drilling results and are believed to be geologically similar to DeGrussa.

At the Central Bore Prospect at Magnus (Figure 2), Alchemy will commence an RC drilling program today to follow-up the strong results received from the Phase One RC drilling program completed in September 2010, i.e. **92m @ 1.41g/t gold** using a 0.1g/t gold cut-off grade (see ASX announcement 28 September 2010).

Results from 1-metre split samples at Central Bore, submitted for assay following anomalous results of the initial 4-metre composite samples, have returned a number of significant intersections (using a 0.40g/t gold lower cut-off; refer Table 1 and Figure 3), including:

- **CBRC004:** 9m @ 7.19g/t gold (from 35m) including 3m @ 19.45g/t gold  
9m @ 7.82g/t gold (49m) including 1m @ 39.4g/t gold & 1m @ 22.5g/t gold
- **CBRC005:** 13m @ 2.58g/t gold (32m) including 1m @ 13.25g/t gold  
3m @ 10.27g/t gold (80m) including 1m @ 26.1g/t gold  
4m @ 5.75g/t gold (86m) including 1m @ 15.55g/t gold
- **CBRC006:** 6m @ 1.89g/t gold (138m)
- **CBRC007:** 9m @ 1.10g/t gold (71m).

The impending program will test for extensions of the mineralisation to the north-west. It will also involve a series of deep holes to test for gold below the known mineralisation at Central Bore. This drilling program at Central Bore will be co-funded through a grant by the WA Government under the Exploration Incentive Scheme.

The Company will also drill up to 50 AC holes at the Pelorus gold prospect at Magnus to infill the 1km-plus long anomaly delineated by first-pass AC drilling completed in June (see June Quarterly Report 30 July 2010).

#### **Wilgeena Drilling**

Alchemy will target extensions to known mineralisation at the Wilgeena Gold Project (Figure 2), where there is a JORC code-compliant indicated resource of **659,480t @ 2.34g/t gold** (equivalent to **49,536 ounces of gold**).

#### **Murchison Drilling**

AC drilling is currently underway at the Big Bell North Project in the Murchison (Figure 4), where Alchemy plans to drill up to 59 holes to test a previously announced gold anomaly measuring 2km by 1km (see ASX release dated 27 July 2010 and Figure 5).

Alchemy will undertake a 49-hole AC drilling program at the Jeffery Well gold project (Figure 4), also in the Murchison, to target a possible extension of the Sarus prospect. Sarus was identified by drilling conducted by a joint venture headed by MPI Mines Ltd which generated results of up to 11.3g/t gold. The mineralisation remains open to the south, east and west of the existing drilling.

Alchemy Managing Director Michael Hannington said the ambitious drilling program highlighted the Company's commitment to aggressive exploration as a means of creating shareholder wealth.

"Alchemy has extensive land holdings in some of the most prospective regions in Australia and we are not just going to sit on them," Mr Hannington said. "We intend to generate strong news flow from the results of this program between now and Christmas and will then return for more drilling early in the New Year."

– 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 helicopter borne VTEM survey, downhole EM and gold in soil anomalies associated with prospective areas identified by 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 indicated 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.

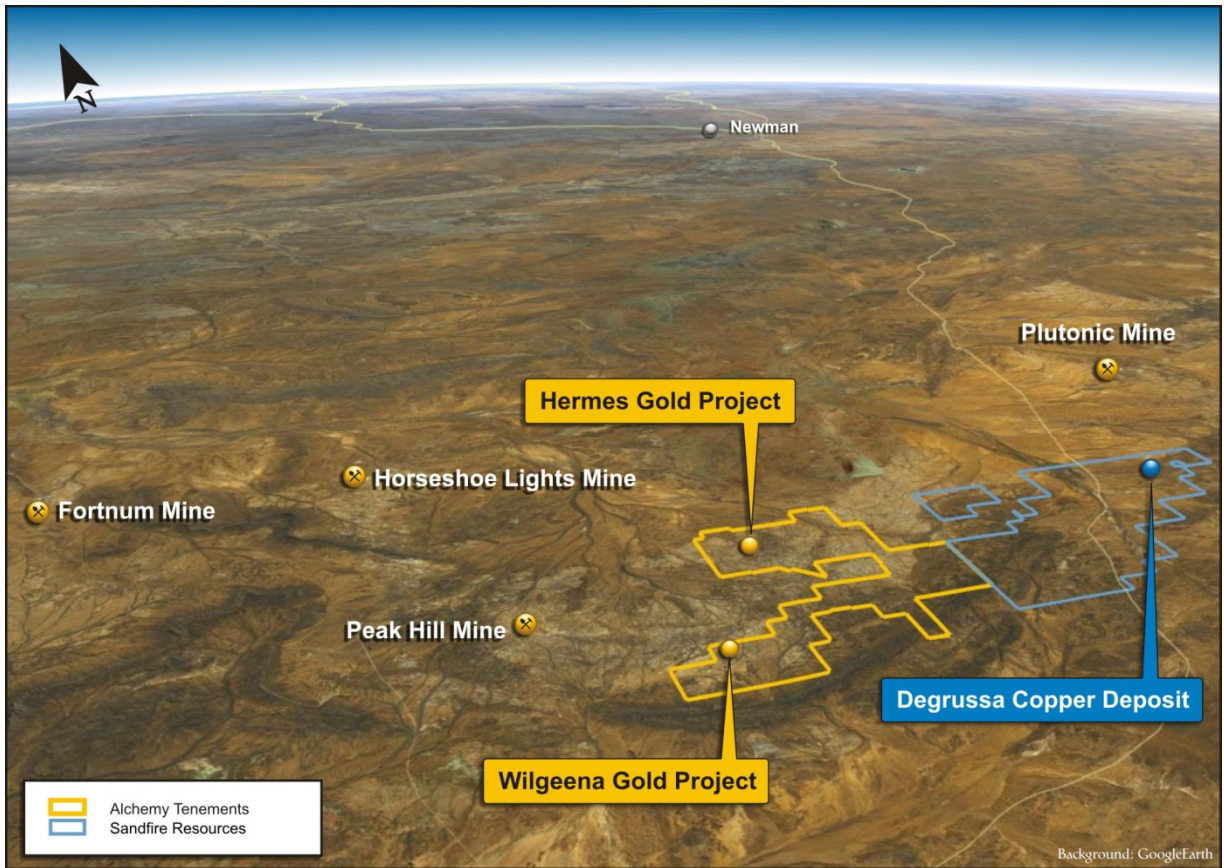
The Wilgeena Gold Project, located 20 kilometres south of Hermes, was identified as a key exploration target in 2009. Alchemy commenced a RC and diamond drill program in March 2010 with the aim to confirm and extend existing zones of gold mineralisation, previously explored by Plutonic Operations Ltd in 1997. In July, Alchemy estimated a maiden JORC code-compliant indicated resource of 659,480t @ 2.34g/t gold (equivalent to 49,536 ounces of gold) comprising three discrete mineralised zones.

The Murchison project comprises over 600 km<sup>2</sup> 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.

In less than two years, Alchemy has grown to explore on four separate and highly prospective areas. Alchemy has received a number of offers to evaluate opportunities near these areas and as it builds its exploration presence will carefully consider the merits of expanding its exploration efforts outside its current tenement holding versus evaluation of its numerous exploration targets within its tenements.

Following a successful capital raising in March 2010 and conversion of listed 25c options that expired in August 2010, Alchemy is fully funded for a concerted exploration effort at its projects in the Gascoyne and Murchison Districts.

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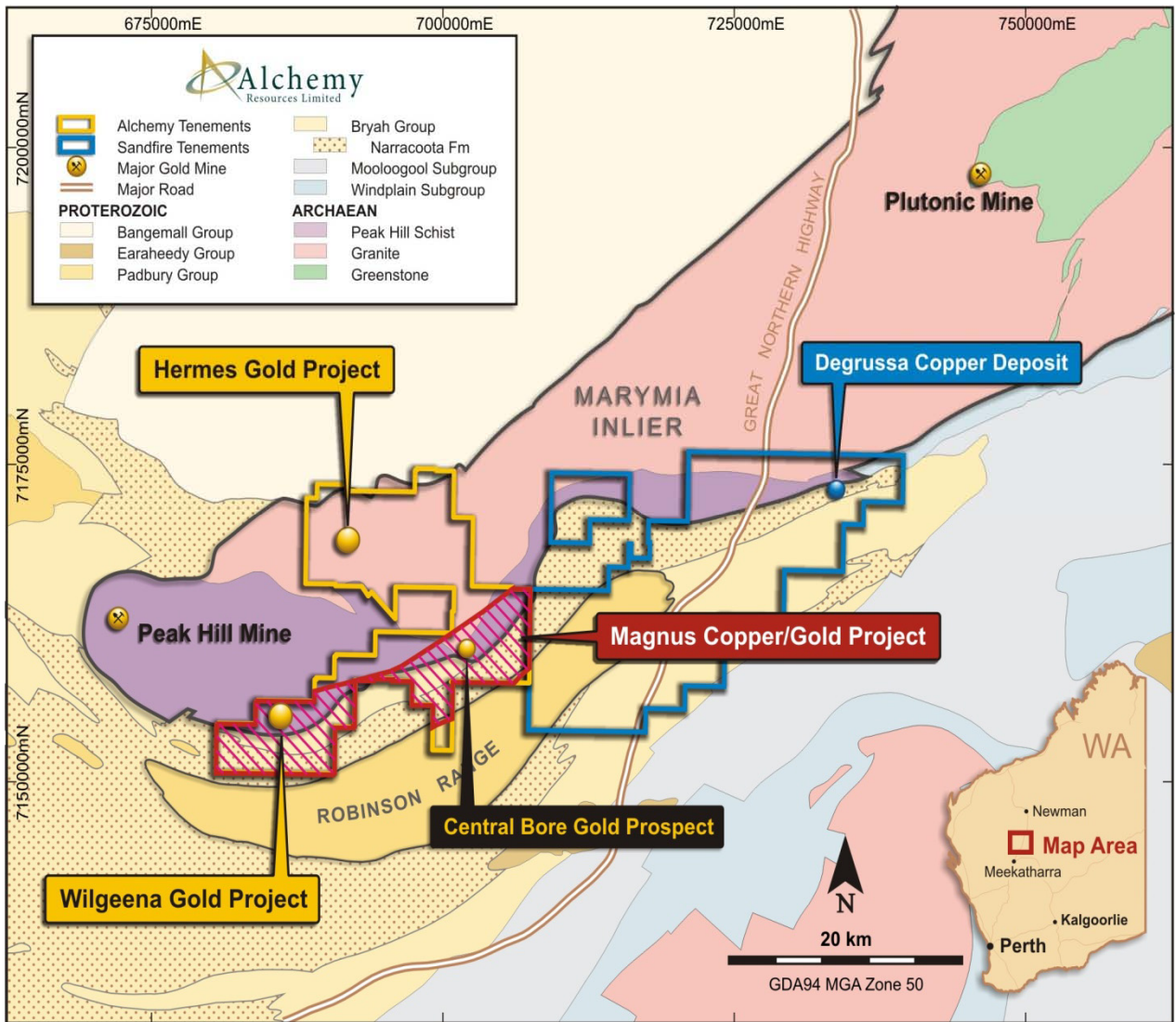


Figure 2. – Central Bore Gold Prospect Location and Regional Geology.

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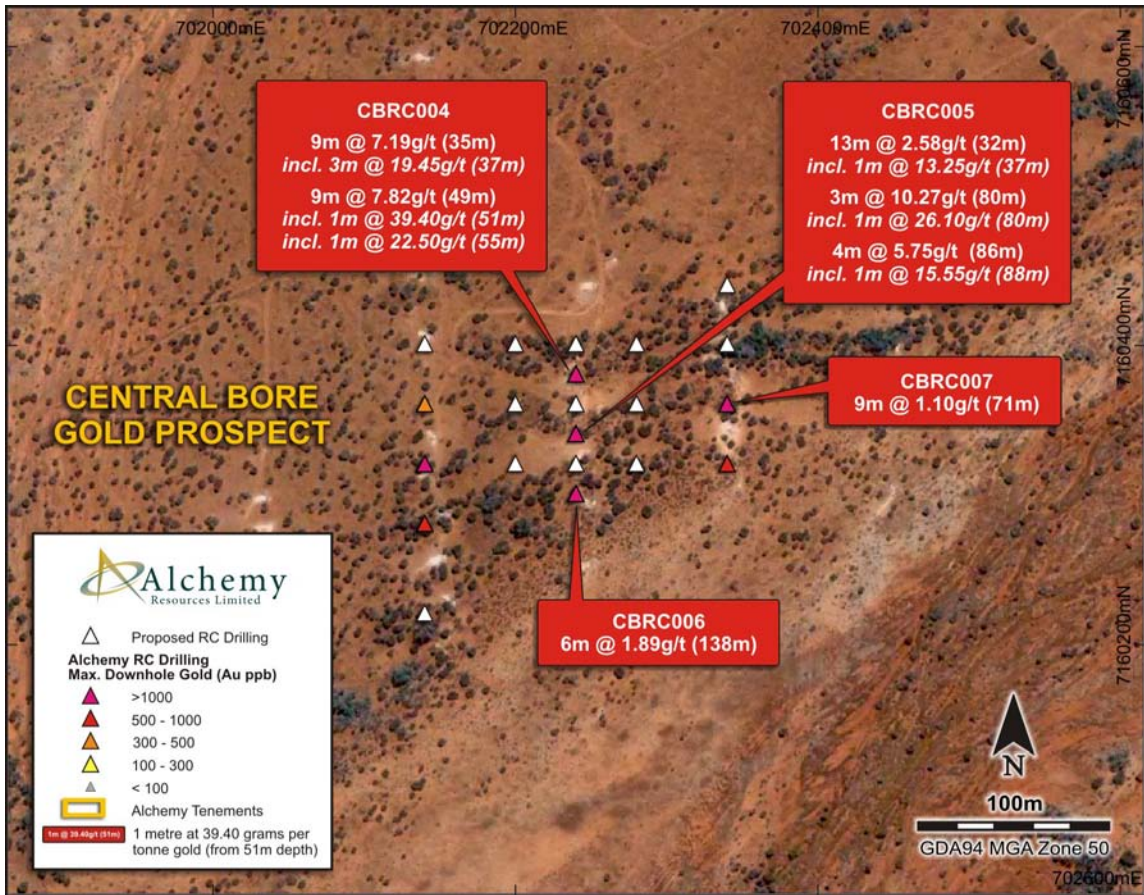


Figure 3. – Central Bore Prospect – Significant 1m-sample Intervals Plan

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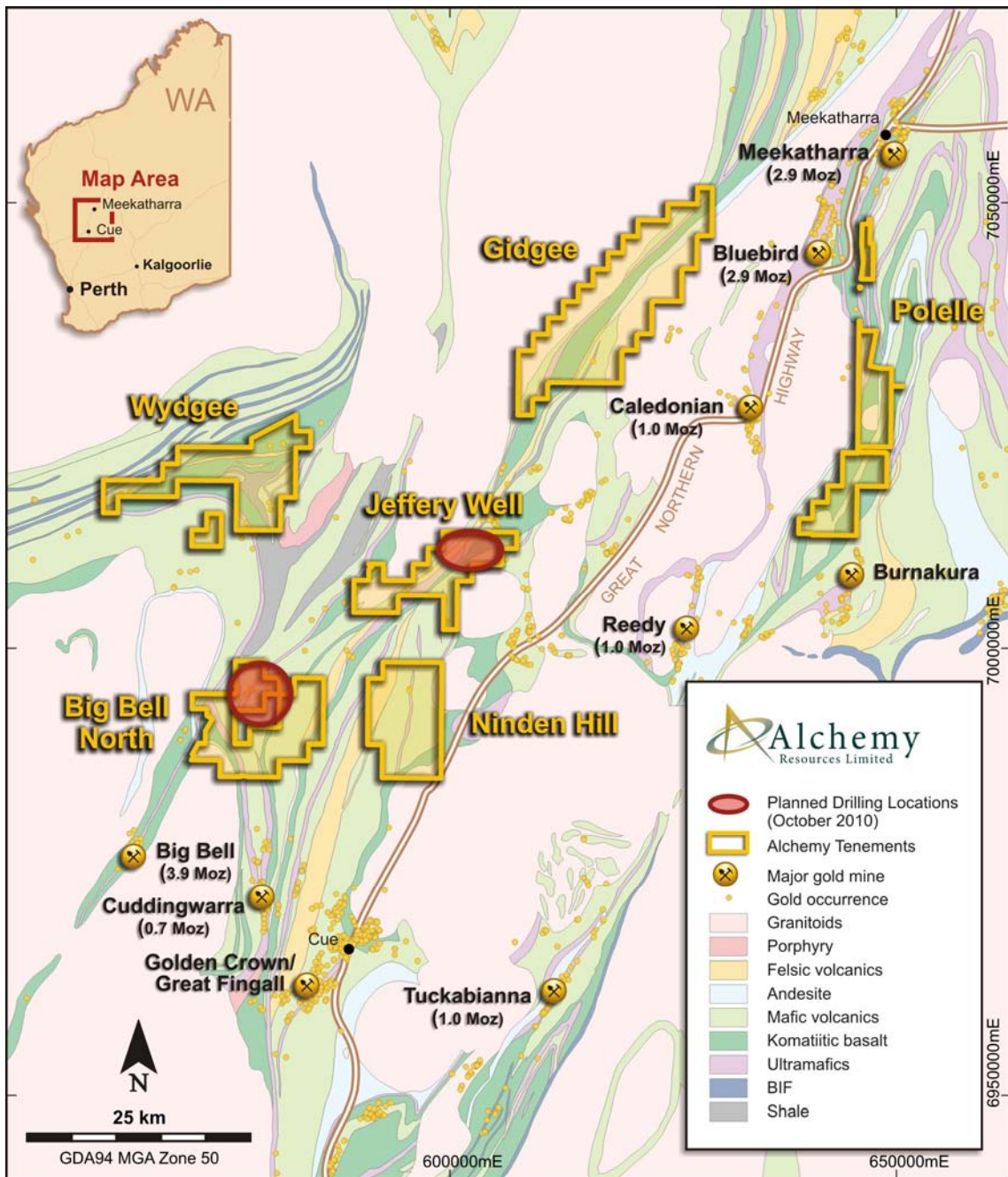


Figure 4. – Murchison Gold Projects Location

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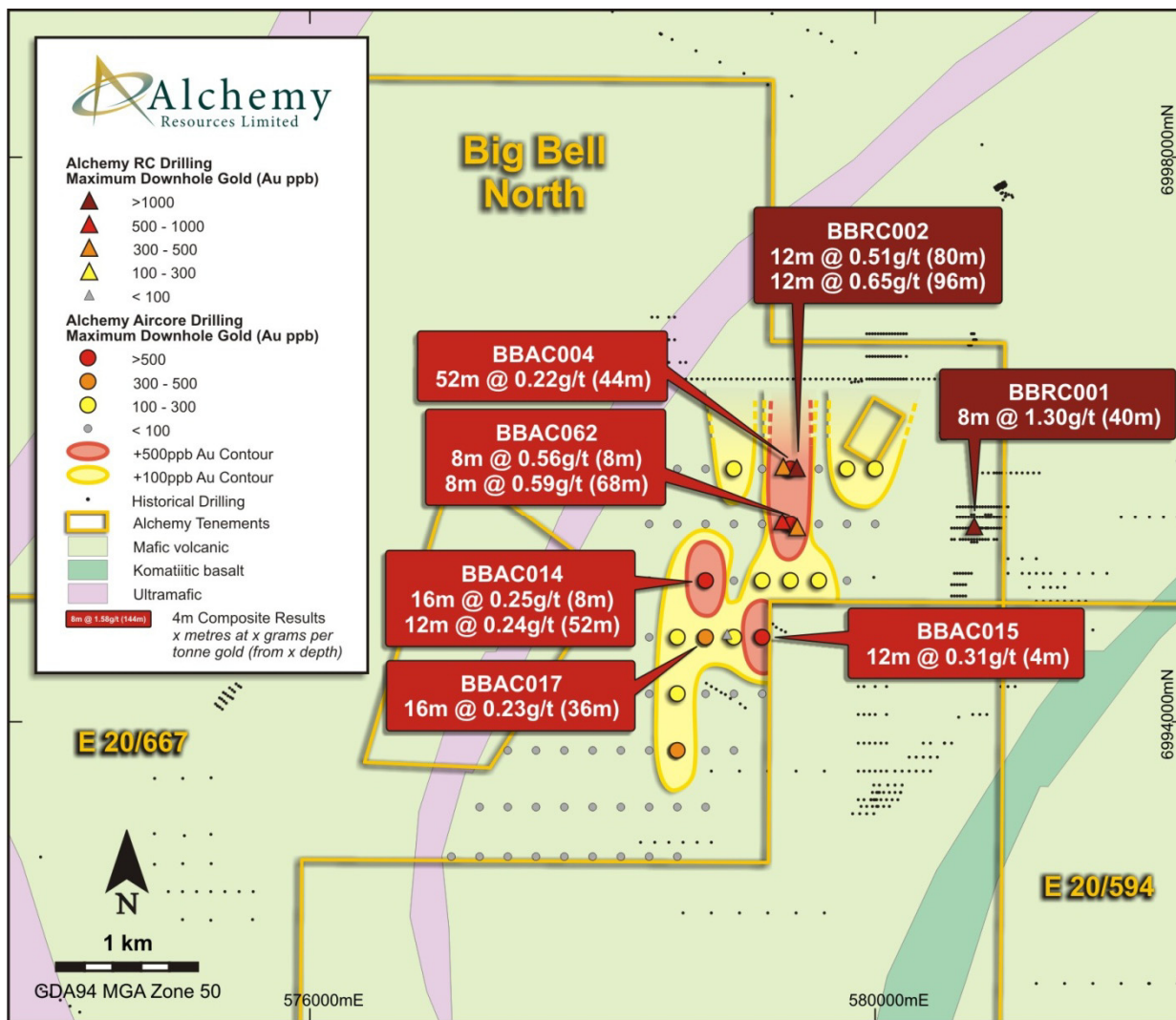


Figure 5. Murchison Big Bell North Project – RC and AC drill holes and zone of gold anomalism

**Table 1: Central Bore gold prospect – significant RC Drilling Results, >0.40g/t gold, October 2010**

Hole	Easting (m)	Northing (m)	From (m)	To (m)	Interval (m)	Au (g/t)	Comment
CBRC002			35	36	1	2.23	
			47	48	1	0.74	
			62	64	2	0.53	
			76	77	1	0.74	
CBRC003			79	81	2	1.29	
			112	113	1	0.56	
			127	128	1	0.42	
			133	136	3	0.98	
CBRC004			13	15	2	0.49	
			28	29	1	0.87	
			35	44	9	7.19	incl. 3m @ 19.45g/t (37)
			49	58	9	7.82	incl. 1m @ 39.4g/t (51) & 1m @ 22.5g/t (55)
			61	66	5	1.25	
CBRC005			32	45	13	2.58	incl. 1m @ 13.25g/t (37)
			47	48	1	0.47	
			50	52	2	0.57	
			58	62	4	0.77	
			64	65	1	0.86	
			80	83	3	10.27	incl. 1m @ 26.1g/t (80)
			86	90	4	5.75	incl. 1m @ 15.55g/t (88)
CBRC006			111	112	1	1.23	
			31	32	1	2.38	
			71	72	1	0.52	
			93	95	2	0.91	
			116	117	1	0.80	
			126	128	2	1.74	
			131	132	1	0.79	
			135	136	1	0.42	
CBRC007			138	144	6	1.89	
			38	40	2	1.45	
			53	54	1	1.22	
			71	80	9	1.10	
			83	88	5	0.45	
			90	91	1	0.62	
			95	97	2	0.81	
CBRC008			102	104	2	0.59	
			71	72	1	0.76	
			86	88	2	2.38	
			97	98	1	0.77	
			102	104	2	1.17	
			106	107	1	0.43	
			111	112	1	0.66	
			115	117	2	0.48	
			122	125	3	0.63	
			128	129	1	0.88	
			134	140	6	0.60	

### **Calculation of Assay Results:**

Quoted drill intersections are based on a lower cut-off of 0.40g/t gold with a maximum of 1 metre of internal dilution (i.e., samples with less than 0.40g/t gold). Assay results were obtained from geochemical analysis of 1 metre samples. Sampling was undertaken following logging of geological boundaries within the drill hole. All samples were analysed at ALS Global Laboratories in Perth. Samples are prepared using single stage pulverization of the entire sample. Gold assays are obtained using a 30g lead collection fire assay digest and atomic absorption spectrometry analysis techniques. Full analytical quality assurance - quality control is achieved using a suite of certified standards, laboratory standards, field duplicates, laboratory duplicates, repeats, blanks and grind size analysis.

The location of drill holes is determined using a handheld GPS achieving less than 10m accuracy and using the MGA datum (Zone 50). All drill holes were drilled at -60 degrees to 360 degrees MGA azimuth.

### **Competent Persons Statement**

*The information in this report that relates to Exploration Results is based on information compiled by Dr Kevin Cassidy, who is a Fellow of the Australian Institute of Geoscientists and is a full-time employee of Alchemy Resources Limited. Dr Cassidy has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves'. Dr Cassidy consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

*The information in this report that relates to Mineral Resources at the Hermes Gold Project is based on information compiled by Mr Shaun Hackett, who is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Snowden Mining Industry Consultants Pty Ltd. Mr Hackett has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves'. Mr Hackett consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

*The information in this report that relates to Mineral Resources at the Wilgeena Gold Project is based on information compiled by Mr Simon Coxhell of Cocksrocks Pty Ltd, who is a Member of the Australian Institute of Geoscientists and a Member of the Australasian Institute of Mining and Metallurgy and is a consultant to Alchemy Resources Limited. Mr Coxhell has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves'. Mr Coxhell consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*