Alchemy Resources Limited
ABN 17 124 444 122

ASX Announcement **31 August 2010**

Drilling Update - Alchemy Gold Projects

Drilling identifies Cu-Ni base metal mineralisation at edge of Hermes

- **Diamond drilling completed at Hermes and Wilgeena Gold Projects**
- **Metallurgical testwork underway for Hermes and Wilgeena Gold Projects to further gold processing options at Plutonic mill**
- **Hermes JORC resource re-estimation on track for completion by late October 2010**
- **Copper-nickel base metal mineralisation identified at edge of Hermes Gold Project**
- **Wilgeena Gold Project development well advanced**

Alchemy Resources Limited ("Alchemy" or the "Company") (**ASX: ALY**) is pleased to report that the 2010 diamond drilling program has now been completed at its Hermes and Wilgeena Gold Projects, which will provide important metallurgical information to assist with the re-estimation of the known resources and rapid development of the two projects.

Hermes JORC Re-estimation

Re-estimation of the existing JORC code-compliant resource of **1.7Mt @ 2.4g/t gold** (equivalent to **131,000 ounces of gold**) at the Hermes Gold Project is well advanced for completion by late October 2010.

Ten diamond drill holes have now been completed at the Hermes Gold Project this year (Fig.2), with five diamond drill holes completed in August 2010. Core samples from this diamond drilling will be used for metallurgical testing, which will determine the ease of extracting gold from the proposed Hawkeye and Trapper pits.

Samples from drilling undertaken in the mid 1990s provided gold recoveries of over 92% and in combination with the results from the recently completed drilling is expected to provide sufficient information to progress negotiations with Barrick Gold on the processing of ore at the Plutonic mill 65km north-east of the Hermes Gold Project.

Hermes RC Drilling

Alchemy has received assay results from 1m samples of significant 4m composite gold intersections from the RC drilling program at Hermes in June 2010 (refer Table 1) and include:

15m @ 8.82g/t Au (33m), including 1m @ 40.1g/t Au in TRC323 (Trapper West);
10m @ 2.96g/t Au (65m), including 1m @ 15.5g/t Au in TRC322 (Trapper West);
9m @ 2.38g/t Au (39m) & 5m @ 1.18g/t Au (59m) in TRC331 (Winchester);
17m @ 1.21g/t Au (38m) in TRC333 (Winchester); and
9m @ 1.40g/t Au (63m) in TRC335 (Winchester).

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These encouraging results outside of the known gold resource, in combination with previous significant drilling intersections, will be utilised in the JORC re-estimation to increase the size of the existing resource.

Hermes Copper-Nickel Mineralisation

RC drilling 2000 metres to the southwest at the periphery of the Hermes Gold Project has identified a potential new style of base metal mineralisation with a shallow copper-nickel anomaly identified in TRC337 (Fig.3). Results include:

42m @ 0.12% Cu (3m) including 6m @ 0.2% Cu (27m); and
5m @ 0.35% Ni (27m) and 4m @ 0.1% Zn (27m)

A moving loop EM survey has been planned to detect the potential for massive sulfides possibly associated with the above anomalous copper and nickel.

Drill testing any targets generated from the geophysical surveys will be undertaken as soon as possible.

Alchemy intends to quickly evaluate and explain the source of the copper-nickel anomalism as this may affect current planning for a gold only operation at Hermes. Alchemy is mindful that the southern Gascoyne District is still at an early stage of exploration and intends to continue collecting samples for multi-element analysis as part of its strategy to comprehensively explore for multiple styles of gold and base metal mineralisation.

Wilgeena Gold Project

Three diamond drill holes were completed at the Wilgeena Gold Project in July 2010 to provide core samples for metallurgical testing to determine ease of extracting gold from the three areas of oxide gold mineralisation defined in the recent JORC code-compliant resource estimate of **659,480 @ 2.34g/t gold** (equivalent to **49,536 ounces of gold**). Five diamond drill holes have now been completed at the Wilgeena Gold Project this year (Fig.4).

A mining lease application for the Wilgeena Gold Project was submitted in July 2010 (Fig. 5). Alchemy will rapidly progress all remaining statutory requirements to gain approval for an excavate, load and haul operation planned to commence by the end of the first quarter 2011.

“Alchemy continues to focus on development of the Hermes and Wilgeena Gold Projects to provide Alchemy with near-term cash flow while systematically exploring its large tenement holding for base metal mineralisation,” Alchemy Managing Director Michael Hannington said.

“These results again highlight both the value of the known mineralisation at Hermes as well as the enormous exploration potential close to the known resource base.”

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 and gold in soil anomalies associated with prospective areas identified by recently completed geological field mapping. An initial RC drill program commenced in April 2010; drilling is ongoing and Alchemy continues to devote significant expenditure to drill programs through 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. In July, Alchemy estimated a maiden JORC code-compliant resource of 659,480t @ 2.34g/t (equivalent to 49,536 ounces of gold) comprising three discrete mineralised zones.

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 due to expire on 31 August 2010, Alchemy is fully funded for a concerted exploration effort at its projects in the Gascoyne and Murchison Districts.

– ENDS –

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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'. Mr Hopkins 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 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 Coxsrocks 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.

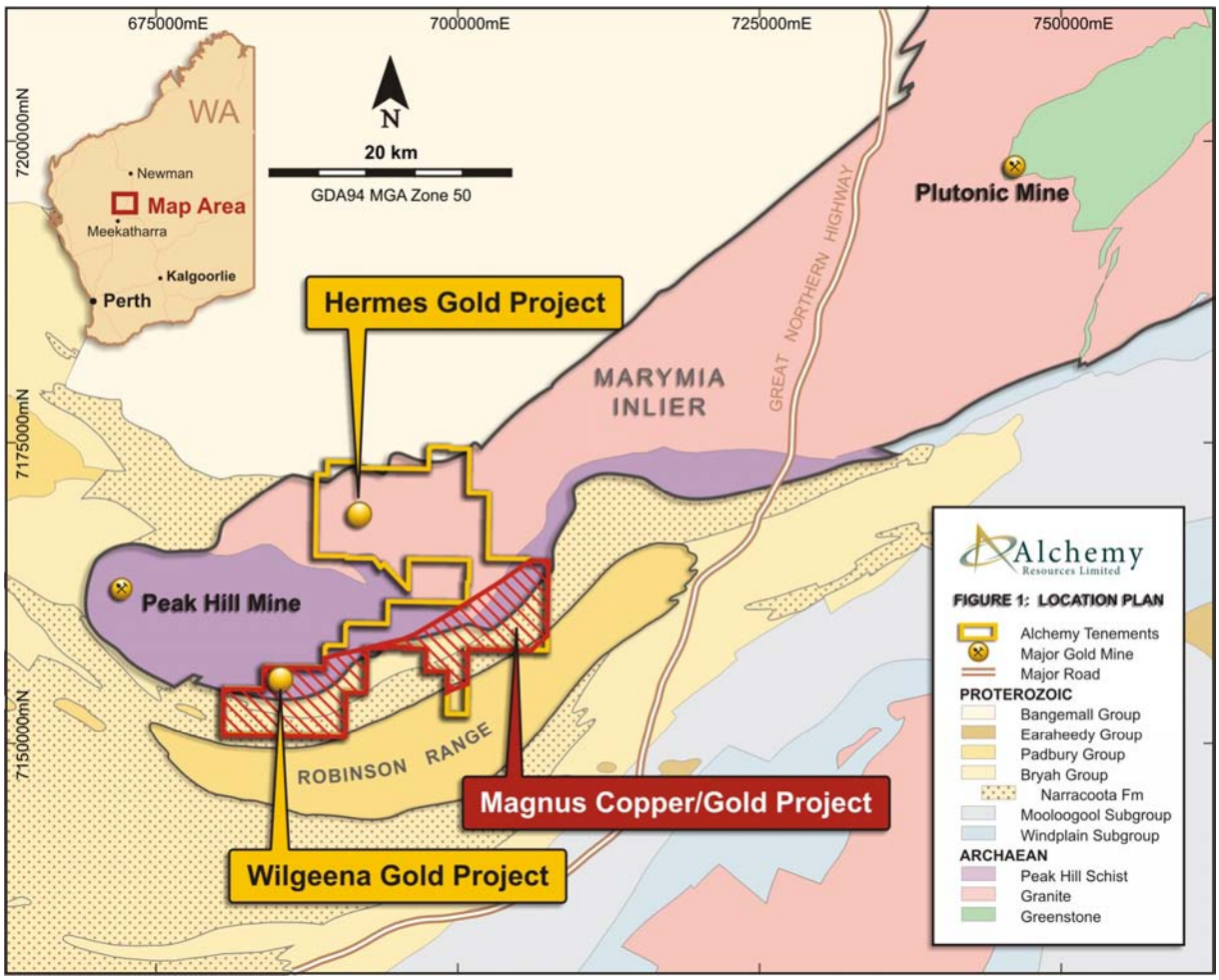

Figure 1. – Gascoyne Project Location

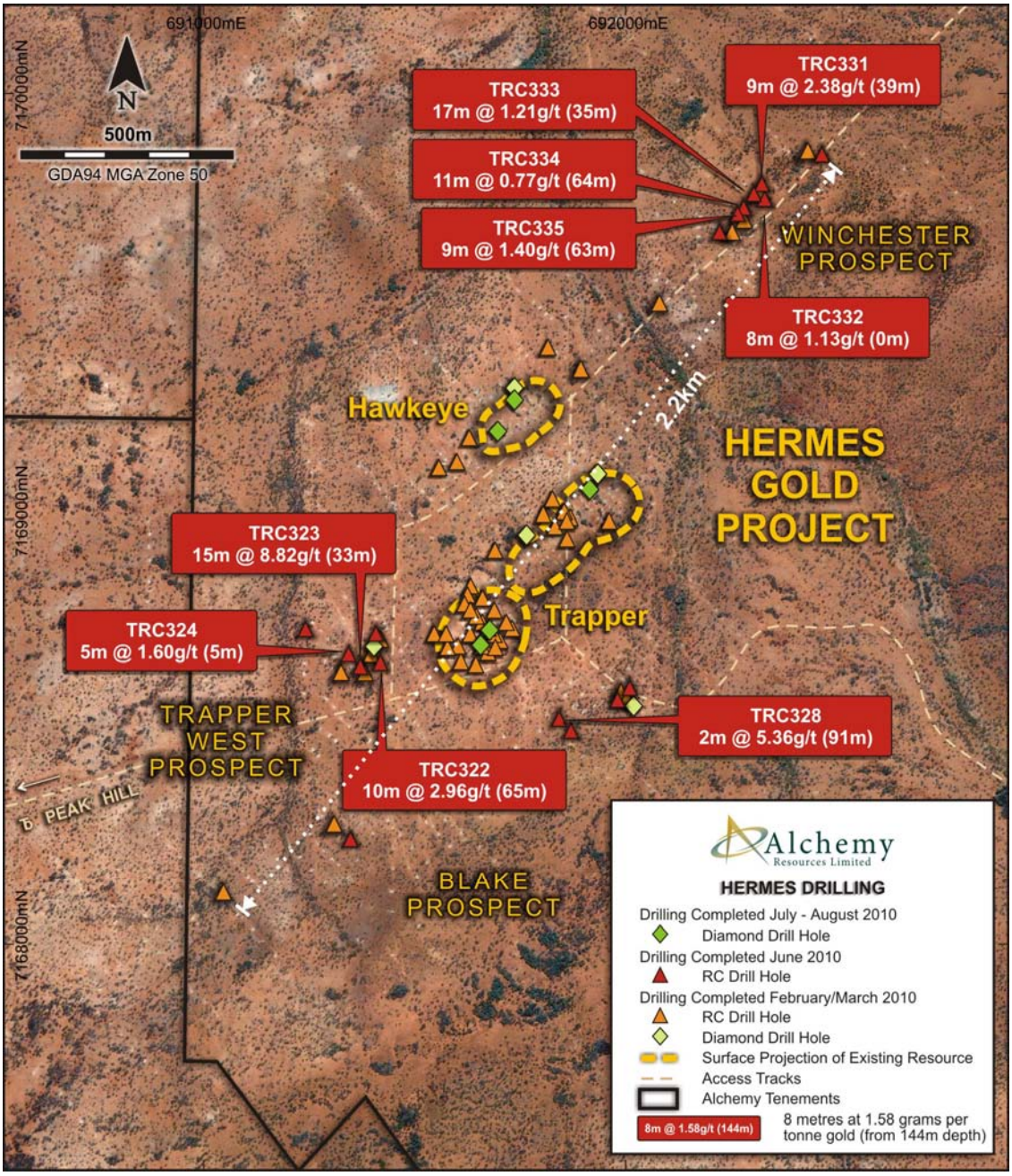

Figure 2. – Hermes Gold Project – Surface expression of JORC code-compliant resource areas, Prospects and location of RC and Diamond drill holes completed in 2010

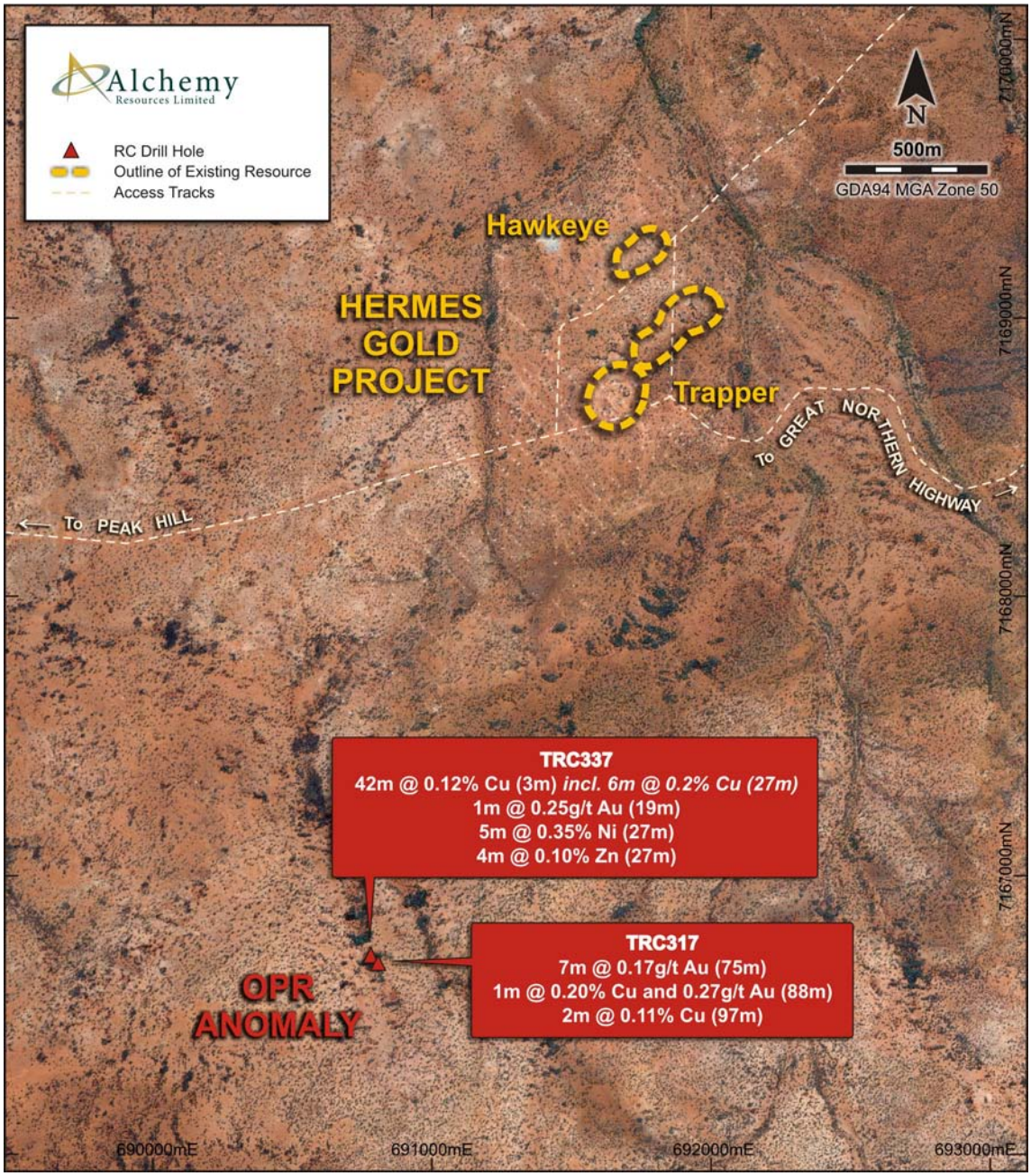

Figure 3. – Copper-nickel anomaly at southwest periphery of Hermes Gold Project – RC Drilling August 2010

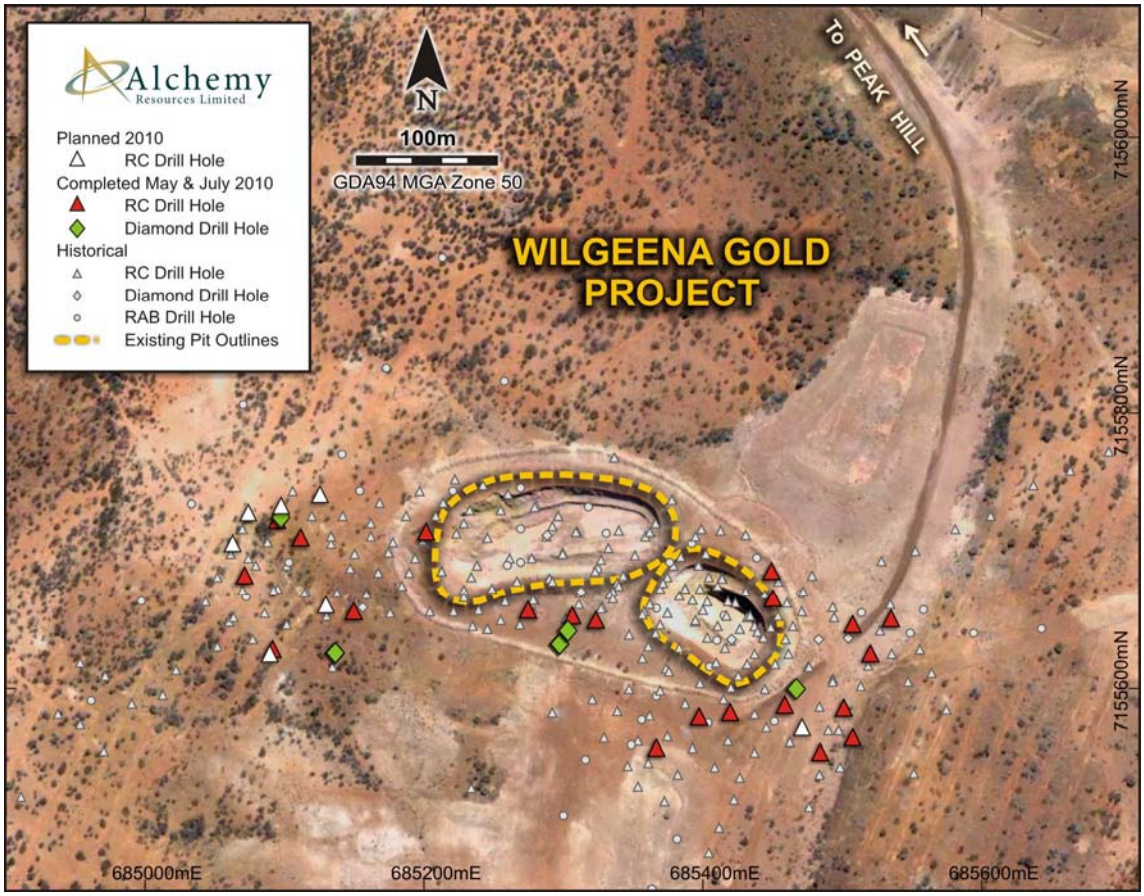

Figure 4. – Wilgeena Gold Project – RC and Diamond drilling 2010

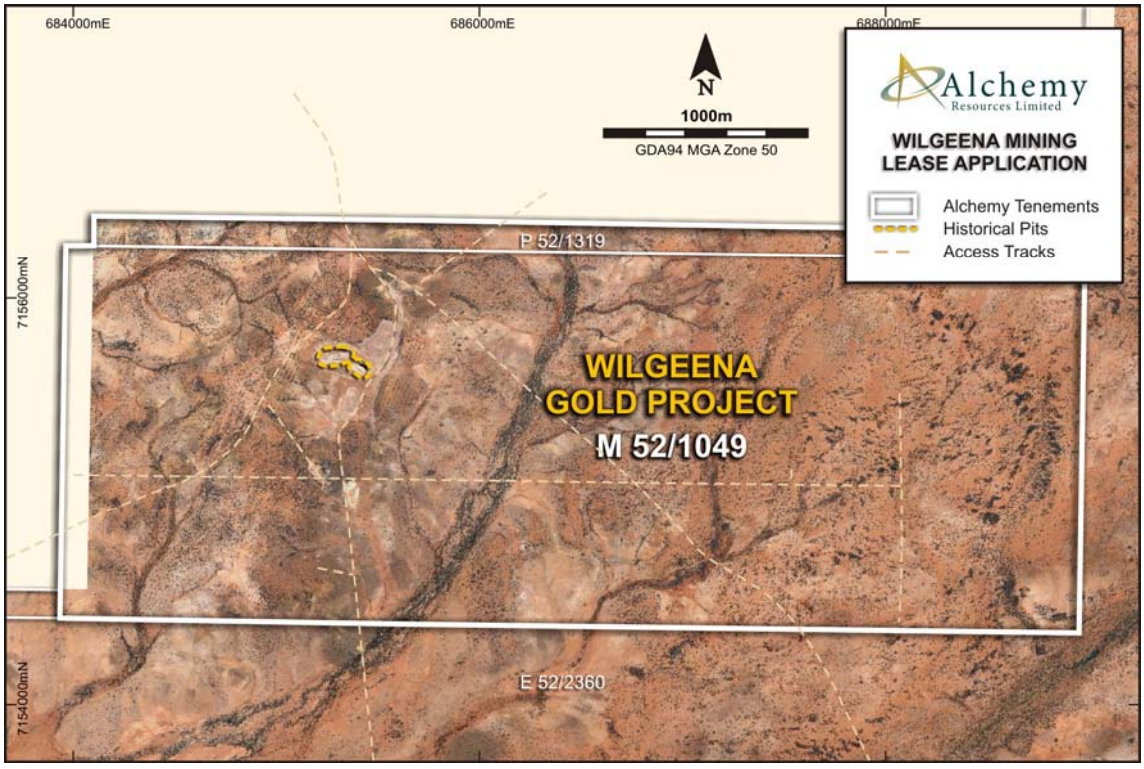

Figure 5. – Wilgeena Gold Project – Mining Lease Application 52/1049

Table 1: Hermes Gold Project – Significant RC Drilling Results, >0.25g/t gold, August 2010

Prospect	Hole ID	Easting (m)	Northing (m)	From (m)	To (m)	Interval (m)	Grade (g/t Au)	Comments
Hot Lips	TRC319	697097.5	7168070.4	92	96	4	1.45	
Trapper West	TRC320	691408.0	7168726.3	4	11	7	0.33	
Trapper West	TRC321	691241.6	7168736.9	56	59	1	0.78	
Trapper West	TRC322	691418.6	7168658.3	18	19	1	0.70	
				54	55	1	0.44	
				65	75	10	2.96	incl. 1m @ 15.5g/t
Trapper West	TRC323	691371.1	7168649.5	25	28	3	0.67	
				33	48	15	8.82	incl. 1m @ 40.1g/t
				63	64	1	2.04	
				68	72	4	1.31	
Trapper West	TRC324	691343.1	7168678.1	5	10	5	1.60	
Blake	TRC325	692009.0	7168599.6	41	47	6	0.32	
				83	84	1	0.27	
Blake	TRC326	691980.4	7168571.6	42	45	3	0.76	
Blake	TRC328	691841.9	7168526.9	91	93	2	5.36	
Winchester	TRC329	692464.4	7169851.5	27	28	1	1.04	
				49	50	1	0.47	
Winchester	TRC331	692322.1	7169782.1	31	33	2	1.40	
				34	37	3	0.37	
				39	48	9	2.38	incl. 1m @ 5.03g/t
				56	57	1	1.11	
				59	64	5	1.18	
Winchester	TRC332	692328.8	7169746.7	0	8	8	1.13	
Winchester	TRC333	692300.5	7169760.9	0	2	2	0.40	
				38	55	17	1.21	
Winchester	TRC334	692279.0	7169725.9	48	51	3	1.30	
				64	75	11	0.77	
Winchester	TRC335	692264.7	7169711.9	0	4	4	0.89	
				37	39	2	1.25	
				42	48	6	0.56	
				63	73	9	1.40	incl. 1m @ 7.22g/t
				81	84	3	1.06	
Winchester	TRC336	692221.8	7169669.8	6	7	1	0.25	
				65	70	5	0.63	
OPR	TRC337	690781.1	7166705.3	19	20	1	0.25	

Calculation of Assay Results:

Quoted drill intersections are based on a lower cut-off of 0.25g/t gold with a maximum of two metres internal dilution (i.e., samples with less than 0.25g/t gold). Assay results were obtained from geochemical analysis of 1 metre split 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 3D differential GPS achieving less than 1m accuracy and using the MGA datum (Zone 50). All drill holes were drilled at -60 degrees to 135 MGA azimuth (with the exception of TRC319, TRC325 and TRC326 which were drilled to 315 MGA azimuth).