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ABN 17 124 444 122

**Half-Year Financial Report
31 December 2008**

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

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West Perth WA 6005
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Facsimile: (08) 9481 4404
Email: admin@alchemyresources.com.au
Web: 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**
ALYO

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ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

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ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2008.

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.

REVIEW AND RESULTS OF OPERATIONS

Assessment of Murchison tenements (Alchemy 80%, Jindalee Resources Limited 20%)

An extensive 10,000 metre aircore drilling program to evaluate 20 gold targets over the Big Bell North, Wydgee and Gidgee project areas in the Murchison District of Western Australia has been defined. Drilling commenced in January 2009.

Drilling programs over Ninden Hill and Jeffery Well are being prepared and will be finalised in the March 2009 quarter.

Compilation of historic drilling and soil sampling information for the Polelle Project is complete and gold mineralisation targeting will be undertaken in the March 2009 quarter.

Three River Gold Project (Alchemy 100%) - targeting high grade extensions

Alchemy has completed a thorough review of all information provided as part of the acquisition of the Three Rivers Gold Project from Troy Resources NL ("Troy"). Targets have been defined to drill in early 2009 that potentially will provide additional gold resources in the vicinity of the Trapper and Hawkeye deposits. In November 2008, a primary gold mineralisation model was developed based on additional surface mapping and a review of diamond drill core from previous drilling undertaken by Troy and Barrick Gold of Australia Ltd.

Similar to Alchemy's Murchison projects, all data has been assessed using 3D visualisation software. Additionally, end of hole samples from historic RC drilling has been analysed using a portable spectrometer to define an alteration footprint diagnostic of gold mineralisation. This information has enabled Alchemy to target future drill programs to enhance the gold resource with a high degree of confidence.

Iron Ore potential in the Robinson Range

In the September 2008 quarter, Alchemy identified portions of the Three Rivers Gold Project tenements that extend south into the Robinson Range and undertook a rock chip sampling program which returned anomalously high iron grades averaging over 61% Fe.

Although Alchemy was granted the right to explore for iron ore during the December 2008 quarter, no further exploration work has been undertaken. Alchemy will undertake field mapping of the iron formations in the March 2009 quarter to gain a better understanding of the continuity and width of the iron formations identified during the rock chip sampling program.

Polymetals (WA) Pty Ltd

Following Alchemy's decision not to acquire Polymetals (WA) Pty Ltd, the Company withdrew from any further involvement in Polymetals (WA) Pty Ltd's assets.

ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

Tight control on costs

Alchemy continues to maintain a tight control on costs as identified in the September 2008 and December 2008 Quarterly Activities Reports. The Company is focussing expenditure on field based activities while minimising corporate overheads. In the March 2009 quarter, Alchemy will drill test gold targets within its Murchison District projects with the highest chance of identifying gold mineralisation and is focussed on the discovery of large lode gold deposits in the Murchison District.

Corporate activity

Alchemy has continued to evaluate potential opportunities in the Murchison District and has undertaken a number of due diligence exercises on potential acquisitions. To date, none of the opportunities evaluated has met Alchemy's criteria for acquisition.

The Annual General Meeting was conducted on 28 November 2008 and all resolutions were passed unanimously by a show of hands.

The Company incurred a loss for the half year of \$482,436 (2007:\$457,390), which includes \$77,255 (2007:\$258,485) relating to share based remuneration for options provided to directors and management. At 31 December 2008, Alchemy had approximately \$2.3 million in cash.

AUDITOR'S INDEPENDENCE DECLARATION

Alchemy has obtained an independence declaration from our auditor's, PKF Chartered Accountants, which is included on page 5.

Signed in accordance with a resolution of the directors.



Warwick Davies
Chairman

Perth, 13 March 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of Alchemy Resources Limited for the half year ended 31 December 2008, 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.

This declaration is in respect of Alchemy Resources Limited and the entities it controlled during the half year.



PKF
Chartered Accountants



Neil Smith
Partner

Dated at Perth, Western Australia this 13th day of March 2009.

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ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated	
		31 December 2008	31 December 2007
		\$	\$
Continuing Operations			
Other income	4	89,340	11,204
Other expenses	4	(569,127)	(468,594)
Finance costs		(2,649)	-
Loss from continuing operations before income tax		(482,436)	(457,390)
Income tax expense		-	-
Net Loss attributable to Alchemy Resources Limited		(482,436)	(457,390)
Earnings per share (cents per share)			
- basic; for loss for the half-year		(1.067)	(2.373)
- diluted; for loss for the half-year		(1.067)	(2.373)

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ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	Consolidated	
		31 December 2008 \$	30 June 2008 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	2,302,392	3,542,221
Trade and other receivables		223,821	194,308
Total Current Assets		2,526,213	3,736,529
Non-Current Assets			
Exploration and evaluation		2,661,960	737,885
Property, plant and equipment		18,098	59,653
Deferred Tax Asset		798,588	221,366
Total Non-Current assets		3,478,646	1,018,904
TOTAL ASSETS		6,004,859	4,755,433
LIABILITIES			
Current liabilities			
Trade and other payables		113,672	182,845
Provisions		4,234	12,094
Interest-bearing loans and borrowings		-	6,639
Total Current Liabilities		117,906	201,578
Non-Current Liabilities			
Interest bearing loans and borrowings		-	35,075
Deferred income tax liabilities		798,588	221,366
Total Non-Current Liabilities		798,588	256,441
TOTAL LIABILITIES		916,494	458,019
NET ASSETS		5,088,365	4,297,414
EQUITY			
Contributed equity	7	5,928,748	4,884,269
Reserves		565,645	336,737
Accumulated losses		(1,406,028)	(923,592)
TOTAL EQUITY		5,088,365	4,297,414

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ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Notes	Consolidated	
		31 December 2008	31 December 2007
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(558,779)	(202,103)
Interest received		89,213	11,204
Interest paid		(2,649)	-
Net cash flows from/(used in) operating activities		<u>(472,215)</u>	<u>(190,899)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,009)	(3,996)
Payment for exploration expenditure		(871,675)	(240,231)
Loans repaid by other entities		7,700	-
Net cash flows from/(used in) investing activities	5	<u>(866,984)</u>	<u>(244,227)</u>
Cash flows from financing activities			
Proceeds from issue of shares		151,653	5,397,300
Payments for capital raisings		(7,921)	(532,680)
Repayment of borrowings		(44,363)	-
Net cash flows from/(used in) financing activities		<u>99,369</u>	<u>4,864,620</u>
Net increase/(decrease) in cash and cash equivalents		(1,239,830)	4,429,494
Cash and cash equivalents at beginning of period		3,542,221	14,609
Cash and cash equivalents at end of period	5	<u><u>2,302,391</u></u>	<u><u>4,444,103</u></u>

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ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	<i>Attributable to equity holders of the entity</i>			<i>Total equity</i>
	Contributed Equity \$	Reserves \$	Accumulated Losses \$	\$
At 1 July 2007	18,500	-	(546)	17,954
Issue of shares	5,440,000	-	-	5,440,000
Transaction costs of issuing shares	(574,231)	-	-	(574,231)
Issue of options	-	299,923	-	299,923
Loss for the period	-	-	(457,390)	(457,390)
At 31 December 2007	4,884,269	299,923	(457,936)	4,726,256
At 1 July 2008	4,884,269	336,737	(923,592)	4,297,414
Issue of shares	1,052,400	-	-	1,052,400
Transaction costs of issuing shares	(7,921)	-	-	(7,921)
Issue of options	-	228,908	-	228,908
Loss for the period	-	-	(482,436)	(482,436)
At 31 December 2008	5,928,748	565,645	(1,406,028)	5,088,365

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ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

1. CORPORATE INFORMATION

The financial report of Alchemy Resources Limited (“the Company”) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 13 March 2009.

Alchemy Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

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.

The half-year financial report should be read in conjunction with the annual Financial Report of Alchemy Resources as at 30 June 2008.

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 2008 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.

(c) 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.

ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

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.

(d) Changes to Australian Accounting Standards

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption for financial reporting periods beginning 1 January 2009 but have not been applied in preparing the financial report.

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p><i>AASB 101 Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101</i></p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	This is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.
<p><i>AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12</i></p> <p>This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The adoption of this standard will have no impact on the group.

ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

New or revised requirement	Effective for annual reporting periods beginning/ending on or after	More information	Impact on Group
<p><i>AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB 2008-3 Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p>This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards incorporate many changes which will have a significant impact on the profit and loss for entities entering into business combinations.</p>	Beginning 1 July 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8</i></p> <p>This standard supersedes AASB 114 Segment Reporting, introducing a US GAAP approach of management reporting as part of the convergence project with FASB.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	AASB 8 is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.
<p><i>AASB 2008-1 Amendments to Australian Accounting Standards: Share-Based Payments: Vesting Conditions and Cancellations</i></p> <p>This clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i></p> <p>This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 and AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.
<p><i>Interpretation 17 Distributions of Non-cash Assets to Owners</i></p> <p>This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.</p>	Beginning 1 January 2009	This will be adopted for the year ended 30 June 2010	The impact of this standard on the group has not yet been determined.

ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

3. SEGMENT INFORMATION

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

	Consolidated	
	31 December 2008	31 December 2007
	\$	\$

4. REVENUE, INCOME AND EXPENSES FROM CONTINUING OPERATIONS

Other income

Finance income	89,213	11,204
Other income	127	-
Total other income	<u>89,340</u>	<u>11,204</u>

Included in Other expenses:

Depreciation	6,084	51
Related party consultancy	40,908	-
Share based remuneration	77,255	258,485
Employee benefits	159,680	137,427
Loss on sale of fixed asset	14,844	-

5. 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	2,302,392	7,224
Short term deposits	-	4,436,879
	<u>2,302,392</u>	<u>4,444,103</u>

NON-CASH INVESTING & FINANCING ACTIVITIES

A non-cash consideration in the form of shares of \$1,000,000 was paid towards the acquisition of tenements listed under Business Combinations on Page 14, to Troy Resources NL.

A non-cash consideration in the form of shares of \$52,400 was paid to Carey Mining Pty Ltd for their assistance in the acquisition in abovementioned acquisition.

6. 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 \$157,000 per annum for the Murchison tenements and \$634,100 for the Three River tenements.

ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

Consolidated	
31 December 2008 \$	30 June 2008 \$

7. CONTRIBUTED EQUITY

Ordinary shares (i)	5,928,748	4,884,269
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(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>	Number	\$
At 1 January 2008	39,600,000	4,884,269
Issued during period	-	-
Transaction costs on share issue	-	-
At 30 June 2008	39,600,000	4,884,269
At 1 July 2008	39,600,000	4,884,269
Issued 31 July 2008	6,746,100	1,052,400
Transaction costs on share issue	-	(7,921)
At 31 December 2008	46,346,100	5,928,748

8. EVENTS AFTER THE BALANCE SHEET DATE

No 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.

9. BUSINESS COMBINATION

Acquisition of Tenements

On 27 May 2008, Alchemy Resources (Three Rivers) Pty Ltd was incorporated. At the date of incorporation, Alchemy Resources Limited was allotted 100% of the issued capital of Alchemy Resources (Three Rivers) Pty Ltd, being 100 shares at \$1.00 each.

On 31 July 2008, Alchemy Resources (Three Rivers) Pty Ltd, wholly owned subsidiary of Alchemy Resources Limited acquired from Troy Resources NL a 100% interest in mining tenements E52/698, E52/1139, E52/1363, E52/1364, E52/1472, E52/1582, P52,906, M52/684, M52/685, M52/686, M52/687, M52/688, M52/689, M52/690, M52/691, M52/722, M52/723, M52/737, M52/753, M52/795, M52/796, M52/797, M52/810, M52/811, M52/819, M52/820, M52/822, M52/823, M52/824, M52/825, M52/826, M52/839, M52/840, M52/841, M52/842, M52/843, M52/844, M52/845, M52/846, M52/847, and M52/848.

Pursuant to the sale agreement, Troy Resources NL agreed to sell and Alchemy Resources (Three Rivers) Pty Ltd agreed to purchase the tenements in consideration of \$310,000 cash and for the issue of 6,271,462 ordinary shares in Alchemy Resources Limited with a fair value of \$0.1595 each.

For assistance in the abovementioned transaction, Carey Mining Pty Ltd was issued with 474,638 ordinary shares in Alchemy Resources Limited with a fair value of \$0.1104 each.

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 2008 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, 13 March 2009

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 2008 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 or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 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 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 2008 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 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*.

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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 2008 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 13th day of March 2009.

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