

Report for Quarter Ended 31 December 2008

Alchemy prepares to drill gold targets on Murchison Projects and targets potential extensions to the gold resource at the Three Rivers Gold Project

Highlights

- Alchemy to commence drill testing three project areas in the Murchison District in January 2009 following approvals from Department of Mines and Petroleum in late December 2008
- Three Rivers Gold Project review completed during December 2008 quarter, with a drilling program scheduled to commence in March 2009 to further define high grade gold mineralisation intersected in historic drilling
- Alchemy maintains tight control on costs with \$2.3 million cash at hand for drilling programs on the Murchison District tenements and reserve definition drilling at the Three Rivers Gold Project

Details

Assessment of Murchison tenements (Alchemy 80%, Jindalee 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 will commence 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 Resources Limited ("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.

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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.

Tight control on costs

Alchemy continues to maintain a tight control on costs as identified in the September 2008 Quarterly Activities Report. 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.

During the December 2008 quarter Alchemy paid \$97,000 in stamp duty for the acquisition of the Three Rivers tenements.

At 31 December 2008, Alchemy had approximately \$2.3 million in cash.

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