

## Report for Quarter Ended 30 September 2008

### Alchemy acquires gold asset and evaluates iron ore potential

#### Highlights

- Alchemy completed acquisition of the Three Rivers Gold Project from Troy Resources NL on 11 July 2008.
- Alchemy investigated the iron ore potential on the southern portions of the Three Rivers Gold Project tenements over the Robinson Range and reported high grade hematite ore from rock chip sampling with assays averaging over 61% Fe.
- In October 2008 Alchemy received Department of Industry and Resources approval to undertake drilling on its Gidgee project in the Murchison and will work to gain approval for its Big Bell North and Wydgee projects before commencing a comprehensive air core drilling program.
- \$2.90 million cash at hand for evaluation of tenements in the Murchison and reserve definition drilling at the Three Rivers Gold Project. Management has ensured tight control over costs.

#### Details

##### Acquisition of Three River Gold Project

Alchemy Resources Limited ("Alchemy") completed the acquisition of the Three Rivers Gold Project from Troy Resources NL ("Troy") on 11 July 2008. Consideration for the transaction was \$310,000 cash and 6,271,462 Alchemy ordinary fully paid shares (representing \$1,000,000 in shares at 15.94 cents per share). Alchemy has confirmed the JORC compliant Indicated Mineral Resource of **1.7Mt at 2.4 g/t gold** (above a 1.0g/t gold cut-off) at the Trapper and Hawkeye deposits and is planning a drilling program to enhance the gold resource.

##### Iron Ore potential in the Robinson Range

Alchemy has identified iron ore potential in portions of the Three Rivers Gold Project tenements that extend south into the Robinson Range. Alchemy undertook a field program in July 2008 to sample and map any prospective iron formation identified within the tenements. Results from rock chip sampling over the iron formations returned iron grades averaging over 61% Fe with the highest grade of 67.9% Fe. Alchemy has recently been granted approval by the Minister for Mines and Petroleum to explore for iron on EL52/1363 and EL52/1582.

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## **Assessment of Murchison tenements (Alchemy 80%, Jindalee 20%)**

Results from 250 soil samples collected by Alchemy have been integrated into the 3D geological model of the Murchison District compiled in the March 2008 quarter. This information has confirmed the prospectivity of targets identified over Big Bell North and Wydgee.

Air core drilling programs for Project areas over the Murchison tenements have been defined as follows:

- Gidgee - 8 targets will be evaluated with 49 air core drill holes
- Big Bell North - 9 targets will be evaluated with 62 air core drill holes
- Wydgee - 7 targets will be evaluated with 40 air core drill holes

Historic drilling and soil sampling information for both the Ninden Hill and Jeffery Well Projects has been integrated into the 3D geological model of the Murchison District. This information comprises a total of 1676 drill holes and 2522 soil samples over both Projects. Drilling programs over Ninden Hill and Jeffery Well will be planned in the December 2008 quarter.

Historic drilling and soil sampling information for the Polelle Project is being compiled and this work will be ongoing in the December 2008 quarter.

## **Polymetals (WA) Pty Ltd**

After conducting its due diligence on Polymetals (WA) Pty Ltd ("Polymetals"), the Board has decided not to proceed with the acquisition of 100% of the issued capital of Polymetals. The major reason for this decision was due to the current economic crisis which would have resulted in Alchemy heavily diluting its current shareholders to complete the transaction. Additionally, the directors were reluctant to utilise a significant amount of cash to purchase a processing plant which was determined during the due diligence process to not be suitable for Alchemy's future operations and for which Polymetals had not been able to find a lessee. Discussions are continuing with the directors of Polymetals with regards to only purchasing the tenements containing the gold resource at Boorara.

## **Loyalty Options**

Pursuant to the Entitlement Issue Prospectus dated 29 May 2008, Alchemy allotted 15,165,250 options to raise \$151,652 during the September 2008 quarter. The directors determined to not issue all shortfall options (4,634,750 unallocated from a total of 19,800,000) under the Prospectus to avoid diluting the interests of current shareholders.

## **Tight control on costs**

Alchemy continues to maintain a tight control on costs as identified in the March 2008 quarterly report. Alchemy is focussing expenditure on field based activities whilst seeking to minimise corporate overheads. Alchemy has generated drilling targets within its Murchison 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 completed the acquisition of the Three Rivers Gold Project from Troy and remains focussed on implementing its strategy to acquire advanced gold exploration projects with near term potential to develop a mining operation and to explore its tenements for large tonnage gold deposits.

At 30 September 2008, Alchemy had approximately \$2.90 million in cash on hand.

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*The information in this report that relates to Exploration Results and Mineral Resources is based on information compiled by Mr Michael Cowin, who is a Member of the Australasian Institute of Geoscientists and is an employee of Cowin Holdings Pty Ltd which consults to Alchemy Resources Limited. Mr Cowin has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity which 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 Cowin consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

*With regards to the iron discovery at the Three Rivers Gold Project, Alchemy Resources Limited has not yet reported resources from this project. While the company remains optimistic it will report a resource in the future, any discussions in relation to targets, resources, reserves or "ore" is only conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.*