



ALCHEMY RESOURCES LIMITED

ABN 17 124 444 122

HALF-YEAR FINANCIAL REPORT

31 December 2019

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CORPORATE DIRECTORY

DIRECTORS

Lindsay Dudfield Non-Executive Chairman
Leigh Ryan Managing Director
Liza Carpena Non-Executive
Anthony Ho Non-Executive

COMPANY SECRETARY

Bernard Crawford

REGISTERED OFFICE

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SHARE REGISTRY

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STOCK EXCHANGE LISTING

The Company is listed on the Australian Securities Exchange Ltd ("ASX")

Home Exchange: Perth, Western Australia
ASX Code: ALY

DIRECTORS' REPORT

Your Directors submit their report for the half-year ended 31 December 2019.

DIRECTORS

The names of Alchemy Resources Limited's ("Alchemy" or "Company") directors in office during the half-year and until the date of this report are as below.

- Lindsay Dudfield
- Leigh Ryan
- Liza Carpene
- Anthony Ho

REVIEW AND RESULTS OF OPERATIONS

Alchemy's activities are reported in announcements to the ASX, with highlights of the half-year to 31 December 2019 summarised below (further details can be found at the Company's website (www.alchemyresources.com.au)).

Karonie Project, WA (100% Alchemy Resources Ltd)

The Karonie Project, located 100km east of Kalgoorlie, is comprised of fifteen exploration licences (including four licence applications) covering over 1,129km² of highly prospective Archaean greenstones in the Eastern Goldfields in Western Australia. The Karonie Project is strategically located close to existing processing plants and hosts the immediate strike extensions of over 590,000oz of gold at the Aldiss Mining Centre (refer to Silver Lake Resources Ltd's (ASX: SLR) ASX announcement dated 24 August 2018).

The Karonie Project also includes a 38km long section of the Claypan Shear Zone directly along strike from Breaker Resources NL's (ASX: BRB) Bombora gold deposit which contains a resource of 23.2Mt @ 1.3g/t Au for 1.0Moz (refer to Breaker Resources NL's ASX announcement dated 2 September 2019). Alchemy is focusing its near-term exploration efforts towards the discovery of additional high-grade gold mineralisation associated with this structure, and other mineralised structures in the district.

During the half year period, Alchemy completed 734m of reverse circulation (RC) drilling and 1,198m of aircore (AC) drilling at the KZ5, Parmelia and Taupo prospects. The drilling targeted Karonie style gold targets immediately along strike to the north and south of the Silver Lake Resources Ltd (ASX: SLR) Aldiss Mining Centre.

Two RC holes drilled at the Parmelia Prospect, 2km south of Silver Lake's Tank South Prospect, intersected 26m @ 1.6g/t Au from 83m (incl. 13m @ 2.1g/t Au from 87m), and 19m @ 0.81g/t Au from 70m (incl. 4m @ 1.09g/t Au from 85m) along strike to the north and south of a previous Gold Fields Australasia Pty Ltd AC intercept of 20m @ 1.0g/t Au from 32m. Previous drilling along strike is limited to wide spaced vertical RAB and AC and is not adequate to identify primary mineralisation within the plunging gold shoots common in the Karonie-Aldiss region. Follow-up RC drilling has been planned to test along strike, and up and down-plunge positions of these exciting new gold intercepts. Programs of Work have been submitted and approved by DMIRS with drilling expected to commence during Q2 2020.

DIRECTORS' REPORT

Drilling at the KZ5 Prospect returned 26m @ 1.3g/t Au, 0.85% Zn from 125m (incl. 5m @ 2.6g/t Au, 0.95% Zn from 125m) in K5RC002. The hole confirmed the width and grade of adjacent drill intercepts up-plunge to the south and down-plunge to the north. The host rocks, alteration and sulphide mineralisation encountered in K5RC002 supports the volcanogenic massive sulphide (VMS) style of mineralisation interpreted by previous explorers. Additional drilling is planned.

RC drilling at the Taupo Prospect, located 2km along strike to the north of the Karonie Main Open Cut mine, returned a best intercept of 10m @ 1.8g/t Au from 68m (incl. 7m @ 2.5g/t Au from 68m) in TARC001. The drilling confirmed the previous up-dip drill intercepts of 26m @ 1.8g/t Au from 36m, and 4m @ 2.8g/t Au from 76m. Previous drilling along strike is limited to wide spaced (~200m x 80m and 400m x 80m), vertical AC holes drilled to blade refusal which is not adequate to identify primary mineralisation within the plunging gold shoots common in the Karonie-Aldiss region.

Twenty-four angled AC holes were drilled along strike to the north and south of TARC001. These holes returned best intercepts of 6m @ 1.7g/t Au from 36m to EOH (incl. 2m @ 3.8g/t Au from 40m) in TAAC008, and 6m @ 1.0g/t Au from 32m to EOH (incl. 2m @ 1.5g/t Au from 36m) in TAAC013 beneath ~20m of transported alluvium. Both holes ended in gold mineralisation (blade refusal) along with several other >0.5g/t Au intercepts. Follow-up RC drilling is being planned to test along strike and down-dip positions of these significant gold intercepts. Programs of Work have been submitted and approved by DMIRS with drilling expected to commence during Q2 2020.

Lachlan Fold Belt/Cobar Basin Projects, NSW (51% Alchemy Resources Ltd - earning up to 80%)

Alchemy has recently earned a 51% interest in eight NSW licences that are subject to a farm-in and joint venture agreement with Heron Resources Ltd (ASX: HRR). Alchemy can earn an 80% interest by spending an additional \$0.4M before 30 May 2021. The licences cover 1,055km² of the highly prospective, under-explored, Cobar Basin and the Lachlan Fold Belt in NSW, and include the Overflow Gold-Base Metal Project, the Eurow Copper-Gold Project, the Girilambone Copper Project and the West Lynn and Woodsreef Nickel-Cobalt Projects, each containing multiple gold and/or base metal and/or nickel-cobalt targets, including drill-ready targets at Overflow, Yellow Mountain, and West Lynn.

During the half-year period a Cooperative Drilling grant application was submitted to the NSW Department of Planning, Industry and Environment for a deep diamond hole targeting high-grade gold-silver-zinc-lead mineralisation down-plunge to the south of the Overflow historic workings. If successful, 50% of Alchemy's direct drilling costs will be reimbursed by the NSW Government. Irrespective of the outcome of the application the proposed diamond drilling will commence early Q2 2020.

Bryah Basin Project, WA

Alchemy's Bryah Basin Project comprises a 488km² ground package, located 130km northeast of Meekatharra, in the highly prospective Bryah Basin region of Western Australia. The Project is located just 30km along strike to the southwest of leading Australian base metal producer Sandfire Resources NL's (ASX: SFR) ("Sandfire") high-grade DeGrussa and Monty copper-gold deposits, and adjacent to Peak Hill where about 1Moz of gold has been mined from several deposits. Alchemy retains a 10% to

DIRECTORS' REPORT

20% interest in the base metal and gold prospective Bryah Basin Project through farm-in and joint venture agreements with Sandfire and Billabong Gold Pty Ltd ("Billabong").

Alchemy also retains a 1% Net Smelter Royalty over 20,000oz of gold recovered from the Hermes Deposit (4.7Mt @ 2.0g/t for 303,000oz Au) once production reaches 70,000oz (see Alchemy ASX announcement dated 24 February 2015).

Base Metals Exploration – Sandfire Resources NL earning up to 80%

Subsequent to spending over \$6M on the Bryah Basin base metal tenements in 2019, Sandfire earned a 70% interest in the Bryah Basin Project owned 80% Alchemy / 20% Jackson Minerals Pty Ltd (a wholly owned subsidiary of Fe Ltd (ASX: FEL)), and an 80% interest in Alchemy's 100% owned tenements. Alchemy is now free-carried on further exploration to completion of a Pre-Feasibility Study, and then carried on an interest-free deferred basis for a further \$5M of Definitive Feasibility Study expenditure with the deferred amount to be repaid in full from 50% of Alchemy's share of profits earned through production.

During the half year period Sandfire completed 1,176 first-pass AC holes (84,365m) drilled along strike to the southwest of the DeGrussa copper-gold deposit on 1.6km x 100m and 800m x 100m spacings across a 40km strike of the Narracoota and Karalundi formations that host the DeGrussa VMS copper-gold mineralisation.

Best assay results received during the period from 1,343AC holes included:

- 5m @ 6.4g/t Au from 100m (Moby South)
- 10m @ 0.6g/t Au from 30m (Moby South)
- 5m @ 2.0g/t Au from 65m (Neptune East)
- 20m @ 0.11% Cu from 85m (Neptune East)
- 5m @ 1.2g/t Au from 45m (Moby)
- 30m @ 0.5g/t Au from 55m (Moby)
- 5m @ 0.12% Cu from 105m (Moby)
- 10m @ 0.27% Zn from 75m (Moby),
- 5m @ 1.0g/t Au from 25m (Churchill),
- 5m @ 1.1g/t Au from 45m (Seaborg SE)

It is important to note that four of the five >1g/t gold intercepts reported above have yet to be followed up with infill drilling.

Nine deep RC holes (2,819m) were also drilled during the period as follow-up to earlier anomalous AC drilling results. Best RC results included:

- 5m @ 0.8g/t Au from 20m (Neptune)
- 5m @ 0.7g/t Au from 125m (Moby)
- 5m @ 0.7g/t Au from 175m (Moby)
- 5m @ 0.3g/t Au from 60m (Neptune)

Downhole electromagnetic (DHEM) surveys were completed on seven of the eleven RC holes drilled to date. A preliminary examination of the DHEM data has identified a variably conductive geological unit to the south. Additional RC drilling is planned targeting coincident geochemical anomalism in AC drilling and DHEM conductivity identified at the Central Range Prospect area.

DIRECTORS' REPORT

The western and central parts of the moving loop electromagnetic (MLEM) survey designed to further improve targeting of the host volcanogenic massive sulphide (VMS) horizon have been completed. The eastern part of the MLEM survey should be completed in Q1 2020. Processing of the EM data is ongoing and, along with the gravity data, will be incorporated into existing regional datasets and inversion models created. The resulting models will then be used to target VMS mineralisation and further refine Phase 2 drilling.

AC drilling has also been planned for the Horseshoe Lights area. This drilling will target copper-gold mineralisation within the Narracoota volcanics and the Ravelstone Formation sediments.

Gold Exploration (20% Alchemy Resources Ltd)

Exploration of Alchemy's tenements that cover the gold prospective part of the Bryah Basin Project continued under a farm-in and joint venture arrangement with Billabong Gold Pty Ltd ("Billabong Gold JV"), a subsidiary of Superior Gold Inc (TSX-V: SGI) with Billabong now having earned a 70-80% interest. Under the terms of the Billabong Gold JV, Alchemy's interest is carried on an interest-free deferred basis to production, with Alchemy to repay the deferred amount from 50% of its share of free cash flow from production following commencement of mining.

The Billabong Gold JV includes the Hermes South inferred resource estimate of 2.2Mt @ 1.6g/t for 114,000oz Au (0.6g/t Au lower cut-off) reported in accordance with the JORC Code (2012 Edition). Hermes South is located approximately 20km south-southwest of the Hermes mining operation, and 65km southwest of the Plutonic gold mine. The mineralisation remains open at depth and has excellent potential for further drilling to expand the area of gold mineralisation and add to the known resource.

During the half year Superior collected 301 close spaced soil samples from the Papus, Flamel and Jones prospects where prospectors recently reported the occurrence of gold nuggets. Gold in soil results from Papus highlighted a weak anomaly to the south east, upslope from the recovered gold nuggets. Preliminary interpretation has identified anomalous north-west trends in pathfinder elements at the Flamel and Jones prospects. Soil sampling is continuing at the Jones Prospect.

Drill hole, drill pad and access track rehabilitation was completed at Hermes South, and a Deed of Variation with regard to the existing Heritage Deed was signed. A Heritage Protection Survey along the Hermes to Hermes South proposed haul road is planned for Q1 2020.

Operating Results

The half-year report to 31 December 2019 shows an operating loss of \$238,156 compared with an operating loss of \$170,049 for the half-year ended 31 December 2018.

DIRECTORS' REPORT

AUDITOR'S DECLARATION

A copy of the auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink that reads 'Lindsay Dudfield'.

Lindsay Dudfield

Chairman

Perth, 13 March 2020

Competent Person's Statement

The information in this report that relates to Exploration Targets and Exploration Results is based on information compiled by Mr Leigh Ryan, who is the Managing Director of Alchemy Resources Limited and holds shares and options in the Company. Mr Ryan is a member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ('JORC Code 2012'). Mr Ryan 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 South Gold Deposit is based on information compiled by Mr Stephen Hyland, a geological consultant working for Superior Gold Inc. Mr Hyland is a Fellow of The Australasian Institute of Mining and Metallurgy, and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ('JORC Code 2012'). Mr Hyland consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

This report may include forward looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Alchemy. Actual values, results or events may be materially different to those expressed or implied in this report. Given these uncertainties, recipients are cautioned not to place reliance on forward looking statements. Any forward looking statements in this presentation speak only at the date of issue of this presentation. Subject to any continuing obligations under any applicable law and the ASX Listing Rules, Alchemy does not undertake any obligation to update or revise any information or any of the forward looking statements in this presentation of any changes in events, conditions or circumstances on which any such forward looking statement is based.

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ALCHEMY RESOURCES LIMITED

As lead auditor for the review of Alchemy Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. 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 period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	CONSOLIDATED	
		31 Dec 2019 \$	31 Dec 2018 \$
Other income	4	5,233	11,212
Corporate expense		(89,648)	(50,821)
Exploration expenditure written off		-	(8,573)
Employee expense		(95,806)	(69,699)
Administration expense		(57,935)	(52,168)
Loss from continuing operations		(238,156)	(170,049)
Income tax benefit		-	-
Loss for the half-year attributable to the owners of Alchemy Resources Limited		(238,156)	(170,049)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that will be reclassified to profit or loss		-	-
Other comprehensive income for the half-year (net of tax)		-	-
Total comprehensive loss for the half-year attributable to the owners of Alchemy Resources Limited		(238,156)	(170,049)
		Cents per share	Cents per share
Loss per share attributable to the owners of Alchemy Resources Limited			
Basic and diluted loss per share		(0.05)	(0.04)

This Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	CONSOLIDATED	
		31 Dec 2019 \$	30 Jun 2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,184,429	533,886
Trade and other receivables		26,875	13,524
Other current assets		26,041	6,241
Total Current Assets		1,237,345	553,651
Non-Current Assets			
Exploration and evaluation	6	5,394,163	5,105,234
Property, plant and equipment		4,278	2,592
Total Non-Current Assets		5,398,441	5,107,826
TOTAL ASSETS		6,635,786	5,661,477
LIABILITIES			
Current Liabilities			
Trade and other payables		85,954	158,675
Provisions		24,483	35,999
Total Current Liabilities		110,437	194,674
TOTAL LIABILITIES		110,437	194,674
NET ASSETS		6,525,349	5,466,803
EQUITY			
Contributed equity	8	33,690,859	32,404,105
Reserves	8	144,400	134,452
Accumulated losses		(27,309,910)	(27,071,754)
TOTAL EQUITY		6,525,349	5,466,803

This Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	ATTRIBUTABLE TO EQUITY HOLDERS OF THE EQUITY			
	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$
At 1 July 2018	31,104,072	182,417	(16,848,847)	14,437,642
Loss for the half-year	-	-	(170,049)	(170,049)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year (net of tax)	-	-	(170,049)	(170,049)
Transactions with owners in their capacity as owners				
Issue of shares	1,321,258	-	-	1,321,258
Share issue costs	(21,225)	-	-	(21,225)
Fair value of options issued	-	8,278	-	8,278
At 31 December 2018	32,404,105	190,695	(17,018,896)	15,575,904
At 1 July 2019	32,404,105	134,452	(27,071,754)	5,466,803
Loss for the half-year	-	-	(238,156)	(238,156)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the half-year (net of tax)	-	-	(238,156)	(238,156)
Transactions with owners in their capacity as owners				
Issue of shares	1,321,258	-	-	1,321,258
Share issue costs	(34,504)	-	-	(34,504)
Fair value of options issued	-	9,948	-	9,948
At 31 December 2019	33,690,859	144,400	(27,309,910)	6,525,349

This Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Notes	CONSOLIDATED	
		31 Dec 2019 \$	31 Dec 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(280,740)	(244,776)
Interest received		1,619	11,212
CASH FLOWS USED IN OPERATING ACTIVITIES		(279,121)	(233,564)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(2,307)	-
Payments for exploration expenditure		(354,783)	(788,786)
CASH FLOWS USED IN INVESTING ACTIVITIES		(357,090)	(788,786)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,321,258	1,321,258
Share issue costs		(34,504)	(21,225)
NET CASH FLOWS FROM FINANCING ACTIVITIES		1,286,754	1,300,033
Net increase/(decrease) in cash and cash equivalents		650,543	277,683
Cash and cash equivalents at beginning of the period		533,886	742,854
CASH AT END OF THE PERIOD	5	1,184,429	1,020,537

This Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 1: CORPORATE INFORMATION

This general purpose interim financial report of Alchemy Resources Limited (“the Company” or “the Group”) for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 13 March 2020.

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

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

This general purpose interim financial report for the half-year reporting period ended 31 December 2019 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Alchemy Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

Except for Note 2(b) the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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) New accounting standards and interpretations

In the half-year ended 31 December 2019, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 16 *Leases*, and
- AASB *Interpretation 23 Uncertainty over Income Tax Treatments*.

AASB 16 *Leases*

AASB 16 *Leases* requires lessees to account for all leases under a single on-balance sheet model. The standard includes two recognition exemptions for lessees namely leases of ‘low-value’ assets and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group has adopted AASB 16 Leases however its current leases fall within either the 'low-value' or 'short-term' recognition exemptions. The adoption of this standard has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

AASB Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation addresses (a) whether an entity considers uncertain tax treatments separately; (b) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and (d) how an entity considers changes in facts and circumstances.

The adoption of this Interpretation has had no impact on the current or previous reporting period and as such there have been no adjustments to the opening balance of retained earnings.

c) Going concern

These consolidated financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the six-month period ended 31 December 2019 the Group made a loss of \$238,156 and had cash outflows from operating activities of \$279,121. As at 31 December 2019, the Group had a cash balance of \$1,184,429 (30 June 2019 \$533,886).

The Group intends to continue cash expenditure on its exploration tenements and this indicates a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group has successfully raised equity capital in the past, most recently in September 2019 when Alchemy completed a pro-rata non-renounceable entitlement and shortfall offer raising \$1,321,258 (before costs). The directors are of the opinion that its Lachlan, Karonie and Bryah Basin gold and base metal projects are very prospective and that the ongoing potential of these projects will enable the Group to secure fresh capital as and when required.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Group not continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

d) Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual financial statements for the year ended 30 June 2019.

NOTE 3: SEGMENT INFORMATION

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

NOTE 4: OTHER INCOME

Interest
Total other income

CONSOLIDATED	
31 Dec 2019	31 Dec 2018
\$	\$
5,233	11,212
5,233	11,212

NOTE 5: CASH AND CASH EQUIVALENTS

For the purposes of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

Cash at bank and on hand
Short-term deposits

CONSOLIDATED	
31 Dec 2019	30 Jun 2019
\$	\$
167,929	517,386
1,016,500	16,500
1,184,429	533,886

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 6: EXPLORATION AND EVALUATION

	CONSOLIDATED	
	31 Dec 2019 \$	30 Jun 2019 \$
Exploration and evaluation assets	5,394,163	5,105,234

Consolidated Group	Half-Year Ended 31 Dec 2019 \$	Year Ended 30 Jun 2019 \$
	Opening balance	5,105,234
Exploration expenditure incurred during the period	288,929	1,180,100
Exploration expenditure written off	-	(9,899,844)
Closing balance	5,394,163	5,105,234

During the half-year ended 31 December 2019, \$Nil (half-year ended 31 December 2018: \$8,573) was written down against the consolidated Group's exploration and evaluation assets.

NOTE 7: COMMITMENTS AND CONTINGENCIES

As at the reporting date, there has been no material change in the commitments and contingencies since 30 June 2019.

NOTE 8: ISSUED CAPITAL

	CONSOLIDATED	
	31 Dec 2019 \$	30 Jun 2019 \$
Share capital		
Ordinary shares	33,690,859	32,404,105

a) Movements in ordinary shares on issue

	HALF-YEAR ENDED 31 DEC 2019		YEAR ENDED 30 Jun 2019	
	Number	\$	Number	\$
Opening balance	440,419,481	32,404,105	352,335,585	31,104,072
Non-renounceable rights issue ⁽¹⁾	-	-	88,083,896	1,321,258
Non-renounceable rights issue ⁽²⁾	110,104,870	1,321,258	-	-
Share issue costs	-	(34,504)	-	(21,225)
Closing balance	550,524,351	33,690,859	440,419,481	32,404,105

(1) In July 2018 the Company completed the issue of 88,083,896 new Shares pursuant to a pro-rata non-renounceable entitlement and shortfall offer of 1 new Share for every 4 existing Shares held at an issue price of \$0.015 per share.

(2) In September 2019 the Company completed the issue of 110,104,870 new Shares pursuant to a pro-rata non-renounceable entitlement and shortfall offer of 1 new Share for every 4 existing Shares held at an issue price of \$0.012 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

NOTE 8: ISSUED CAPITAL (Continued)

b) Movements in options on issue

	HALF-YEAR ENDED 31 DEC 2019		YEAR ENDED 30 JUN 2019	
	Number	\$	Number	\$
Opening balance	22,000,000	134,452	29,500,000	182,417
Options granted ⁽¹⁾	1,000,00	9,948	-	-
Options expired	-	-	(7,500,000)	(59,260)
Share based payment expense ⁽²⁾	-	-	-	11,295
Closing balance	23,000,000	144,400	22,000,000	134,452

(1) During the reporting period 1,000,000 unlisted options were issued to third parties for ongoing company secretarial and accounting services.

(2) No options were issued during the prior reporting period. The fair value of options is determined at grant date and is expensed over the vesting period of the options.

NOTE 9: DIVIDENDS

No dividends have been declared or paid during the half-year.

NOTE 10: FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Due to their short-term nature, the carrying amounts of current receivables and current payables are assumed to approximate their fair value.

NOTE 11: RELATED PARTY TRANSACTIONS

The wife of Mr Ryan, the Managing Director, provided geological drafting and database management services to the Company to the value of \$3,498 (year ended 30 June 2019: \$4,350). The services were provided on normal commercial terms and conditions. There were no other related party transactions during the half-year.

NOTE 12: EVENTS SUBSEQUENT TO THE REPORTING DATE

No other matters or circumstances have arisen since the end of the half-year which significantly affect or may significantly affect the operations of the Group, the results of those operations, or the state of affairs in future years.

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) giving a true and fair view of the financial position as at 31 December 2019 and the performance for the half-year ended on that date of the Consolidated Entity; and
 - ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in black ink that reads 'Lindsay Dudfield'.

Lindsay Dudfield

Chairman

Perth, Western Australia

13 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Alchemy Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Alchemy Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter - Material uncertainty relating to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial 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 the Group, 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. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Glyn O'Brien', written over the printed name below.

Glyn O'Brien

Director

Perth, 13 March 2020