

**ASX
ANNOUNCEMENT**

24 FEBRUARY 2015

CODE: ALY

BOARD OF DIRECTORS

Mr Oscar Aamodt
Non-Executive Chairman

Ms Sofia Bianchi
Non-Executive Director

Mr Lindsay Dudfield
Non-Executive Director

Mr Anthony Ho
Non-Executive Director

ISSUED CAPITAL

SHARES 185,454,701

OPTIONS 3,975,000 (Unlisted)

PROJECTS

BRYAH BASIN (80-100%)

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Northern Star to become ALY's largest shareholder and accelerate Bryah Basin Gold Project

- *NST to purchase Hermes resource with objective of fast-tracking project to production*
- *NST to earn-in up to an 80% interest in gold prospective tenements by funding exploration*
- *NST to become ALY's largest shareholder through placement and look to introduce new projects to ALY*
- *Alchemy retains its interest in base metal prospective tenements through continuing farm-in and JV agreement with Independence*

Alchemy Resources Limited (ASX: ALY) ("Alchemy" or the "Company") is pleased to announce that it has signed a series of agreements with leading Australian gold producer Northern Star Resources Limited (ASX: NST) ("Northern Star") to purchase the Hermes gold resource and adjacent tenements, and explore and to earn an interest in part of Alchemy's Bryah Basin Project, Western Australia (*Figure 1*). The agreements relate to whole and part tenements that cover the gold prospective part of the Bryah Basin Project and will enable exploration of these areas to be accelerated.

Northern Star will also invest \$500,000 in Alchemy in return for 33.33M fully paid ordinary shares in the Company at an issue price of \$0.015 per share. The placement will make Northern Star Alchemy's largest shareholder, and entitles Northern Star to nominate a non-executive director to the Board of Alchemy. Northern Star has expressed an intention to introduce Alchemy where possible to projects which do not fit the Northern Star business model.

Alchemy retains its interest in the remaining base metal prospective Bryah Basin landholding through the farm-in and joint venture agreement with Independence Group NL (ASX: IGO) ("Independence") (*see ASX Announcement dated 5 November 2014*). Should a high-value base metal discovery be made by Independence, Alchemy retains the right to participate as a 20% partner, an equity position that should deliver significant value to shareholders.

The Bryah Basin Project currently has Indicated Resources of 300,000 ounces of gold (4.7Mt @ 2.0g/t gold) at Hermes and Wilgeena (see ASX announcement dated 22 October 2012), and includes a pipeline of advanced to grass roots gold targets which require further systematic exploration and targeted drilling campaigns to unlock their potential.

The farm-in and joint venture agreement with Northern Star over the gold prospective landholding will enable near-term exploration to drill test high-grade gold targets at the Wilgeena, Central Bore and Seaborg areas and test historic gold intercepts and gold-in-soil anomalies along strike from these prospects and other high priority targets.

The benefits of the agreements include:

- Alchemy will be joining forces with one of Australia's leading gold mining companies and owner of the nearby Plutonic gold processing plant to rapidly advance exploration of gold prospective tenements in the Bryah Basin Project;
- Development of Hermes will increase the chances of other deposits in the Project area being mined;
- In the event of a gold discovery, Alchemy has the opportunity to enter a production joint venture with Alchemy's share of costs carried to commencement of production;
- Northern Star intends to introduce Alchemy where possible to projects which do not fit the Northern Star business model;
- Alchemy retains its interest in the base metal prospective part of the Bryah Basin Project through the farm-in and joint venture agreement with Independence;
- Alchemy has sufficient funds to focus on identification and exploration of additional high-value gold and base metal projects.

Hermes Sale Agreement

Alchemy has entered into a Sale and Purchase Agreement with Northern Star whereby the tenement containing the Hermes gold resource and adjacent tenements (*Figure 1*) are acquired by Northern Star on the following terms:

1. A purchase price of \$1,450,000 for the Hermes tenements and mining information.
2. A royalty of 1% of Net Smelter Return payable on refined gold recovered from the Hermes tenements in excess of 70,000 ounces and up to 90,000 ounces.
3. A placement of 33.33M ordinary fully paid Alchemy shares to Northern Star at a subscription price of \$0.015 each to raise \$500,000.

The Hermes Sale Agreement is subject to and conditional upon completion of all necessary consents and the execution of various deeds of assignment.

Farm-in and Joint Venture Agreement

Key terms of the farm-in and joint venture agreement include:

1. Northern Star to spend a minimum of \$1,200,000 on exploration expenditure ("Earn-in Expenditure") over a period of three years on the gold prospective tenements ("Joint Venture Area") (*Figure 1*). Northern Star must fund a minimum \$400,000 on exploration expenditure in the first

year, after which it may withdraw, at any time. Upon spending the Earn-in Expenditure within three years, Northern Star will be entitled to:

- a. an 80% interest in the Joint Venture Area for the tenements held 100% by Alchemy; and
 - b. a 70% interest in the Joint Venture Area for five tenements, E52/1668, E52/1678, E52/1730, P52/1195 and E52/1196, whereby Northern Star would hold 70%, Alchemy 10% and Jackson Minerals Pty Ltd ("Jackson") would maintain its 20% interest free-carried to a decision to mine.
2. If the Earn-In Expenditure is not incurred during the period, the agreement will terminate and Northern Star will not earn any interest in the Joint Venture Area.
 4. Upon Northern Star fulfilling the Earn-In Expenditure, Alchemy's interest will be carried on an interest-free deferred basis to production, with Alchemy to repay Northern Star the deferred amount at the rate of 50% of its share of free cash flow from production following commencement of mining.
 5. If Jackson elects not to contribute to Mining Operations, then Jackson must sell their interest or convert to a \$10 per recovered ounce of gold royalty. If Jackson elects to sell any part of its interest, then Alchemy and Northern Star will be entitled to purchase 50% each of the portion being sold.
 6. The farm-in and joint venture agreement is subject to and conditional upon completion of all necessary consents and the execution of various deeds of assignment.

Commenting on the agreements, Alchemy's Chairman Oscar Aamodt said:

"Northern Star is a fast growing, highly profitable Australian gold company with a market capitalisation in excess of \$1B. Alchemy is very pleased to have attracted the support of Northern Star, both to help unlock the gold potential of the Bryah Basin Project through access to their processing plant at Plutonic, and to secure new opportunities to grow the Company."

– ENDS –

Please direct enquiries to: Mr Oscar Aamodt (Chairman)
Dr Kevin Cassidy (Chief Executive Officer)
Telephone: +61 8 9481 4400

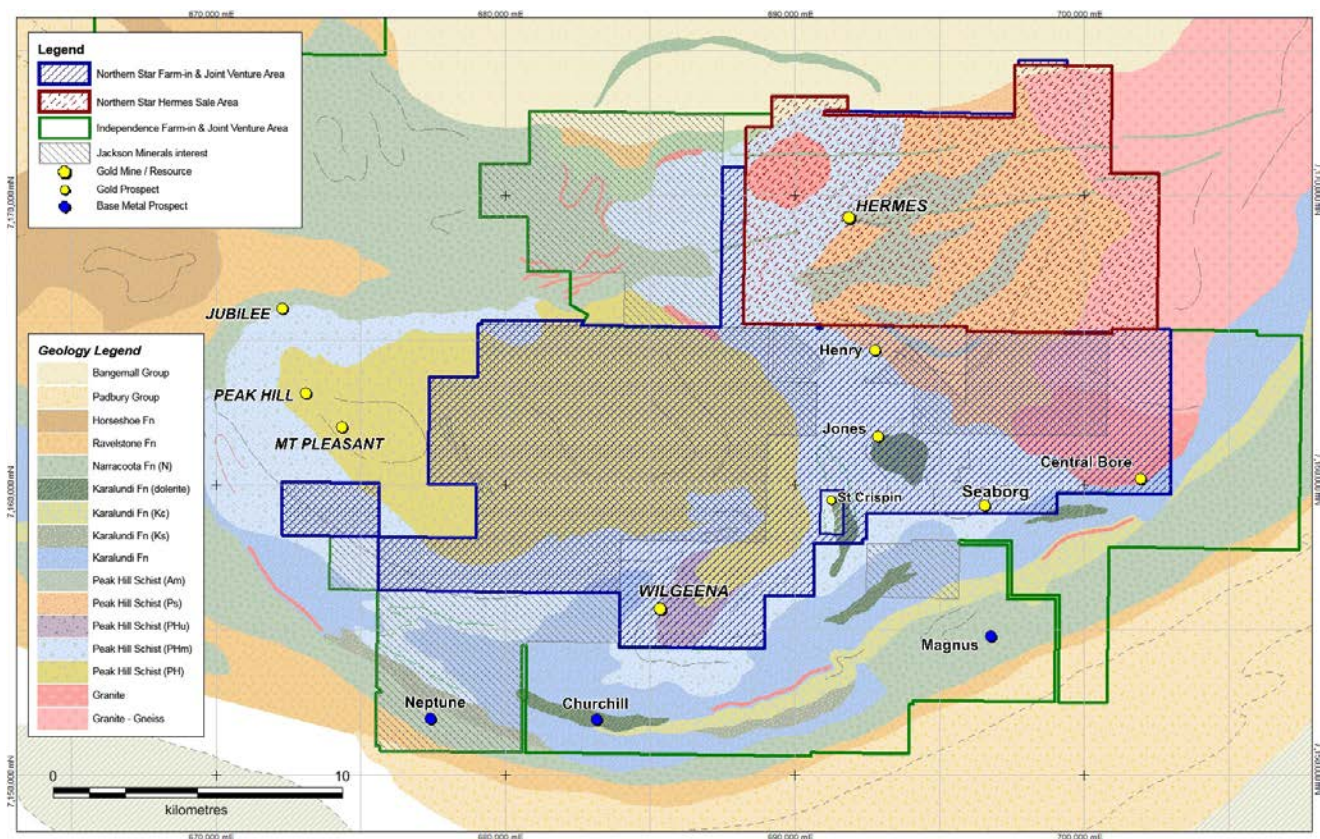


Figure 1: Bryah Basin Project – Northern Star Hermes Sale area, Northern Star Farm-in and Joint Venture area covering the gold prospective part of Project, and continuing Independence Farm-in and Joint Venture covering the base metal prospective part of the Project.

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 and security holder 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'. Dr Cassidy 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 Gold Deposit and Wilgeena Gold Deposit 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.

Alchemy confirms that the Exploration Results and the Indicated Mineral Resource at the Hermes Gold Deposit and Wilgeena Gold Deposit were prepared and first disclosed under JORC 2004. These have not been updated since to comply with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('JORC 2012') on the basis that the information has not materially changed since it was last reported. Alchemy further confirms that since announcing the Indicated Mineral Resource at the Hermes Gold Deposit and Wilgeena Gold Deposit on 22 October 2012, it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed.