



**ABN 17 124 444 122**

**Half-Year Financial Report  
31 December 2009**

## **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**

18 Emerald Terrace  
West Perth WA 6005  
Telephone: (08) 9481 4400  
Facsimile: (08) 9481 4404  
Email: [admin@alchemyresources.com.au](mailto:admin@alchemyresources.com.au)  
Web: [www.alchemyresources.com.au](http://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**

# 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 2009.

## 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. Directors were in office for this entire period unless otherwise stated.

Warwick Davies  
Robert Downey  
John Arbuckle  
Michael Hannington.

## REVIEW AND RESULTS OF OPERATIONS

### Three Rivers Gold Project (Alchemy 100%)

#### *Magnus Copper-Gold Project*

Alchemy Resources Limited ("Alchemy") contracted Geotech Airborne Pty Ltd to complete a VTEM survey (helicopter borne electromagnetic survey) over the Magnus Copper-Gold Project area extending from the eastern tenement boundary with Sandfire Resources NL ("Sandfire") westward towards the historic Wilgeena Mining Centre

Final survey results highlighted 15 conductors worthy of immediate drilling to test the potential for massive sulphide copper-gold mineralisation at Magnus.

Alchemy also completed extensive geologic field mapping and rock chip sampling of the Narracoota Formation within its Magnus Project to evaluate the copper and gold potential.

Alchemy's mapping of the Magnus Copper-Gold Project extends from the eastern tenement boundary with Sandfire westward towards the historic Wilgeena Mining Centre. There are numerous exposures of outcropping rocks of the Narracoota Formation on Alchemy's tenement E52/2362 and E52/2360. However, these rocks extend over an area 30km long by 5.5km wide.

All exploration data collected by previous explorers over Alchemy's Magnus Project has now been captured on Alchemy's tenements E52/2362 and E52/2360 and this information is being evaluated in light of the recently completed field mapping and VTEM survey results.

Drilling programs to test conductors identified by the VTEM survey, coincident with gold in soil anomalies, have been planned and drilling will commence as soon as possible in March 2010.

#### *Hermes Gold Project – Exploration*

Alchemy completed a field mapping program at the Hermes Gold Project in the second half of 2009 that has extended the area of prospectivity surrounding the Hawkeye and Trapper deposits. The mapping program identified a number of zones that could potentially host mineralisation outside of the Hawkeye and Trapper deposits.

Alchemy's drilling programs at the Hermes Gold Project during the second half of 2009 were successful in discovering 3 new gold zones (Trapper West, Winchester and Blake) outside the existing gold resource at Hawkeye and Trapper. The programs comprised 18 RC holes for a total of 2,506m and 172 AC holes for a total of 6,406m. Eleven of the RC holes returned significant gold intersections which represents a 61% success rate with regard to the RC drill targeting.

## **ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT**

The best results from the RC drilling in November and December 2009 included:

- **19m @ 10.78g/t gold** from 84m (including **14m @14.54g/t gold** from 88m)
- **29m @ 2.26g/t gold** from 72m (including **5m @ 10.70g/t gold** from 72m)
- **9m @ 4.46g/t gold** from 94m
- **9m @ 6.54g/t gold** from 126m (including **4m @ 14.07g/t gold** from 126m)
- **12m @ 8.35g/t gold** from 74m (including **1m@ 84.2g/t gold** from 82m)

Alchemy has planned an extensive program of RC and Diamond drilling at the Trapper deposit and Winchester, Trapper West and Blake prospects for the first quarter of 2010.

### ***Hermes Gold Project – Mining Proposal***

Alchemy has completed the first of a series of studies necessary to seek mining approval at the Hermes Gold Project. Flora and fauna studies have been completed with the final report on these studies due in the first quarter of 2010. This will form part of the Hermes Gold Project mining proposal to be submitted to the Department of Mines and Petroleum for approval to commence a mining operation.

Ore characterisation studies, waste rock studies, hydrology and hydrogeology studies progressed during the quarter and will be reported on in the first quarter of 2010. Engineering investigations to determine the optimum haul road design are ongoing.

### ***Wilgeena Mining Centre – Exploration***

Alchemy has submitted a program of work to the West Australian Department of Mines and Petroleum for approval to drill a combination of RC, Diamond and AC holes in the first quarter of 2010 at the Wilgeena Gold Project. This program is intended to both confirm the in-house modelling of the gold orebody undertaken by Plutonic Operations Ltd in 1997 and allow Alchemy to estimate a JORC code compliant resource for this advanced prospect.

### ***Robinson Range Iron Project***

Alchemy has deferred all activity on its mining lease M52/844 covering a portion of the Robinson Range until 2010.

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

Drilling programs to be undertaken at the Big Bell North, Wydgee and Gidgee Projects have been approved by the Department of Minerals and Petroleum and heritage surveys were completed in November 2009 on the Wydgee, Big Bell North and Gidgee Projects by the Wajarri People and on the Polelle Project by the Yugunya-Nya People.

A surface sampling (soil and rock-chip) and regolith mapping program was completed over the Polelle Project (E51/1225 and E51/1226) in October 2009. In total, 112 soil and 46 rock samples were collected on a 1km x 500m spaced grid across the tenements. The results of the soil sampling program has generated 10 targets for aircore drill testing.

A two year extension of term of E20/549 (Wydgee) was granted in November 2009. The tenement's expiry date is now 20 December 2011.

New reprocessed aeromagnetic and radiometric data has been acquired for the Murchison Projects. Interpretation of the new data has been undertaken for the Polelle and Big Bell North Projects to assist drill targeting.

Alchemy's 3D geological model covering the Murchison District has been refined to highlight gold targets at the Big Bell North and Wydgee Projects and Alchemy expects to drill test these projects in May 2010.

## ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

### Tight control on costs

Alchemy continues to maintain a tight control on costs.

In April 2009, Alchemy made an application to AusIndustry for a research and development tax concession reflecting its investment in the 3D model of the Murchison District. In July 2009, Alchemy received a refund cheque for \$233,343 from the Australian Tax Office (“ATO”). Alchemy will continue to undertake its R&D efforts to evaluate its Murchison Projects.

Alchemy is focussing expenditure on field based activities as highlighted by its drilling campaign at the Hermes Gold Project and its geologic field mapping and geophysical survey at the Magnus Copper-Gold Project.

### Corporate activity

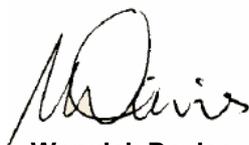
Alchemy raised \$2.50 million via two tranches of placements to sophisticated investors. The conversion of listed and unlisted options during the half year increased cash on hand by \$1.64 million.

The Company incurred a loss for the half year of \$555,928 (2008:\$482,436). At 31 December 2009, Alchemy had approximately \$3.3 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 6.

Signed in accordance with a resolution of the directors.



**Warwick Davies**  
Chairman

Perth, 16 March 2010

*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 an employee 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 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’. 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.*

**AUDITORS INDEPENDENCE DECLARATION**

As lead auditor for the review of Alchemy Resources Limited for the half year ended 31 December 2009, 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 on this 16<sup>th</sup> day of March 2010.

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# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated 31 December 2009 \$	31 December 2008 \$
<b>Continuing Operations</b>			
Other income	5	49,052	89,340
Other expenses	5	(604,980)	(569,127)
Finance costs		-	(2,649)
<b>Loss from continuing operations before income tax</b>		<b>(555,928)</b>	<b>(482,436)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(555,928)</b>	<b>(482,436)</b>
Other comprehensive income		-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>(555,928)</b>	<b>(482,436)</b>
Earnings per share (cents per share)			
- basic; for loss for the half-year		(0.001)	(1.067)
- diluted; for loss for the half-year		(0.001)	(1.067)

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Notes	Consolidated	
		31 December 2009 \$	30 June 2009 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		3,301,316	1,397,040
Trade and other receivables		173,501	329,609
Prepayments		27,436	4,122
<b>Total Current Assets</b>		<b>3,502,253</b>	<b>1,730,771</b>
<b>Non-Current Assets</b>			
Exploration and evaluation		4,279,726	2,557,668
Property, plant and equipment		136,148	25,621
Deferred tax asset		1,277,618	767,353
<b>Total Non-Current assets</b>		<b>5,693,492</b>	<b>3,350,642</b>
<b>TOTAL ASSETS</b>		<b>9,195,745</b>	<b>5,081,413</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		260,342	232,567
Provisions		13,974	12,676
<b>Total Current Liabilities</b>		<b>274,316</b>	<b>245,243</b>
<b>Non-Current Liabilities</b>			
Provisions		3,550	642
Deferred income tax liabilities		1,277,618	767,353
<b>Total Non-Current Liabilities</b>		<b>1,281,168</b>	<b>767,995</b>
<b>TOTAL LIABILITIES</b>		<b>1,555,484</b>	<b>1,013,238</b>
<b>NET ASSETS</b>		<b>7,640,261</b>	<b>4,068,175</b>
<b>EQUITY</b>			
Contributed equity	9	9,960,860	5,912,102
Reserves		657,829	578,573
Accumulated losses		(2,978,428)	(2,422,500)
<b>TOTAL EQUITY</b>		<b>7,640,261</b>	<b>4,068,175</b>

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Notes	Consolidated	
		31 December 2009	31 December 2008
		\$	\$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(392,556)	(558,779)
Interest received		48,445	89,213
Interest paid		-	(2,649)
<b>Net cash flows from/(used in) operating activities</b>		<b>(344,111)</b>	<b>(472,215)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(118,463)	(3,009)
Payment for exploration expenditure		(1,722,059)	(871,675)
Purchase of subsidiary	10	(2,087)	-
Loans repaid by other entities		-	7,700
<b>Net cash flows from/(used in) investing activities</b>		<b>(1,842,609)</b>	<b>(866,984)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		2,500,000	151,653
Proceeds from option conversion		1,639,977	-
Payments for capital raisings		(15,568)	(7,921)
Repayment of borrowings		(33,413)	(44,363)
<b>Net cash flows from/(used in) financing activities</b>		<b>4,090,996</b>	<b>99,369</b>
Net increase/(decrease) in cash and cash equivalents		1,904,276	(1,239,830)
Cash and cash equivalents at beginning of period		1,397,040	3,542,221
<b>Cash and cash equivalents at end of period</b>	6	<b>3,301,316</b>	<b>2,302,391</b>

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

## CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

### Consolidated

	<i>Attributable to equity holders of the entity</i>			<i>Total equity</i>
	Contributed Equity \$	Reserves \$	Accumulated Losses \$	\$
<b>At 1 July 2008</b>	<b>4,884,269</b>	<b>336,737</b>	<b>(923,592)</b>	<b>4,297,414</b>
Loss for the period	-	-	(482,436)	(482,436)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>(482,436)</b>	<b>(482,436)</b>
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	1,052,400	-	-	1,052,400
Transaction costs of issuing shares	(7,921)	-	-	(7,921)
Share-based payments	-	228,908	-	228,908
<b>At 31 December 2008</b>	<b>5,928,748</b>	<b>565,645</b>	<b>(1,406,028)</b>	<b>5,088,365</b>
<b>At 1 July 2009</b>	<b>5,912,102</b>	<b>578,573</b>	<b>(2,422,500)</b>	<b>4,068,175</b>
Loss for the period	-	-	(555,928)	(555,928)
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>(555,928)</b>	<b>(555,928)</b>
<b>Transactions with owners in their capacity as owners</b>				
Issue of shares	2,500,000	-	-	2,500,000
Transaction costs of issuing shares	(411,568)	-	-	(411,568)
Exercise of options	1,960,326	(320,349)	-	1,639,977
Share-based payments	-	399,605	-	399,605
<b>At 31 December 2009</b>	<b>9,960,860</b>	<b>657,829</b>	<b>(2,978,428)</b>	<b>7,640,261</b>

# 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 2009 was authorised for issue in accordance with a resolution of the directors on 16 March 2010.

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 2009.

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 2009 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) Changes in accounting policies and disclosures

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period.

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

AASB 3 Business Combinations  
AASB 8 Operating Segments  
AASB 101 Presentation of Financial Statements  
AASB 127 Consolidated and Separate Financial Statements

The adoption of AASB 3 and AASB 127 will change the accounting policy of the group for future acquisitions and changes in ownership interests. These standards are applied prospectively and had no material impact on prior combinations.

The changes to AASB 3 (revised 2008) affect the valuation of non-controlling interests, the accounting of transaction costs and the initial recognition and subsequent recognition of contingent considerations. AASB 3 (revised 2008) has no impact on the consolidated entity’s financial statements on business combinations post 1 July 2009.

## ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

AASB 8 has replaced AASB 114 Segment Reporting upon its effective date. The consolidated entity concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. The consolidated entity does not have more than one segment.

The revised AASB 101 separates owner and non-owner changes in equity. As a consequence the statement of comprehensive income has been presented by the consolidated entity and related disclosures have been made in the half year financial report.

### **(c) Significant accounting policies**

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2009, as described in Note 2(b)

### **(d) 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.

#### *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.

### **(e) New Standards and Interpretations Issued but not yet effective.**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the half year ending 31 December 2009. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

## **3. FINANCIAL RISK MANAGEMENT**

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2009.

## **4. SEGMENT INFORMATION**

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

## ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

Consolidated	
31 December 2009	31 December 2008
\$	\$

### 5. REVENUE, INCOME AND EXPENSES FROM CONTINUING OPERATIONS

#### *Other income*

Finance income	48,446	89,213
Other income	606	127
Total other income	<u>49,052</u>	<u>89,340</u>

#### *Included in Other expenses:*

Depreciation	7,937	6,084
Related party consultancy	52,866	40,908
Share based remuneration	3,605	77,255
Employee benefits	191,135	159,680
Loss on sale of fixed asset	-	14,844

### 6. 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	3,266,928	2,302,391
Short term deposits	34,388	-
	<u>3,301,316</u>	<u>2,302,391</u>

### 7. COMMITMENTS AND CONTINGENCIES

There has been no material changes in the commitments and contingencies since 30 June 2009.

### 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.

## ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

	Consolidated	
	31 December 2009 \$	30 June 2009 \$
<b>9. CONTRIBUTED EQUITY</b>		
<b>Share Capital</b>		
Ordinary shares	9,960,860	5,912,502
<b>Movement in ordinary shares on issue</b>		
	<b>Number</b>	<b>\$</b>
<b>At 1 July 2008</b>	<b>39,600,000</b>	<b>4,884,269</b>
Issued 31 July 2008 for purchase of tenements from Troy Resources NL	6,271,462	1,000,000
Issued 31 July 2008 for introduction fee	474,638	52,400
Transaction costs on share issue	-	(7,921)
<b>At 31 December 2008</b>	<b>46,346,100</b>	<b>5,928,748</b>
<b>At 1 July 2009</b>	<b>46,346,100</b>	<b>5,912,102</b>
Issued from capital raising	13,875,000	2,500,000
Options converted to shares	6,559,908	1,960,326
Transaction costs on share issue	-	(411,568)
<b>At 31 December 2009</b>	<b>66,781,008</b>	<b>9,960,860</b>

## 10. BUSINESS COMBINATION

### Acquisition of Subsidiary

On 13 July 2009 Alchemy Resources Limited acquired 100% of the issued shares in Goldtribe Corporation Pty Ltd ("Goldtribe"), an exploration company, for consideration of \$2,087.

Goldtribe is the owner of the exploration licences E52/2360, E52/2361, E52/2362, and has applications for prospecting licences P52/1314, P52/1315, P52/1316, P52/1317, P52/1318, P52/1319, P52/1320, P52/1321, P52/1322, P52/1323. These applications have all subsequently been granted.

Details of the purchase consideration, the net assets acquired and goodwill are as follow:

Purchase consideration	\$
- Cash paid	2,087
Total purchase consideration	2,087

The assets and liabilities recognised as a result of the acquisition are as follows:

	Recognised on acquisition \$	Carry Value \$
Receivable	2,446	2,446
Mineral Tenement	33,054	33,054
Loan	(33,413)	(33,413)
Net identifiable assets acquired	2,087	2,087

### The cash outflow on acquisitions is as follows:

Cash Paid	2,087
Net cash outflow	2,087

# ALCHEMY RESOURCES LIMITED – HALF YEAR REPORT

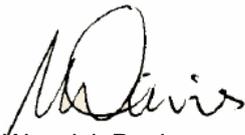
## DIRECTORS' DECLARATION

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 2009 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 consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Warwick Davies  
Chairman

Perth, 16 March 2010



Chartered Accountants  
& Business Advisers

## INDEPENDENT AUDITOR'S 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 statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising Alchemy Resources Limited and the entities it controlled at 31 December 2009

#### *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 2009 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.

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*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*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 2009 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 on this 16<sup>th</sup> day of March 2010.