

ASX Announcement

5 July 2010

Drilling update for Murchison, Hermes, Magnus and Wilgeena Projects

Alchemy Resources Limited (ASX: **ALY**) (“Alchemy” or the “Company”) is pleased to provide the following update to its aggressive drilling program currently being conducted at its projects in the Murchison and Gascoyne districts of Western Australia.

In early June 2010 Alchemy commenced its exploration drilling program and contracted with McKay Drilling to provide a large Schram Drilling Rig which is capable of drilling deep Reverse Circulation (RC) holes of the type required for the Magnus Copper-Gold Project.

The status of this drilling program to date is:

- **Big Bell North Project (Murchison)** – a 6 RC hole program for 906 metres has been completed, following promising results from an Aircore (AC) drilling program conducted in April 2010 (refer announcement dated 10 June 2010). This reconnaissance RC program aimed to test the width of the zone of gold mineralisation and results are being analysed with an announcement due to the market in the next week. A follow up in-fill AC program to more narrowly define the area of gold anomalism is planned for September 2010.
- **Gidgee Project (Murchison)** – a 7 RC hole program for 980 metres has been completed and assays results are pending. This drilling program was conducted to test gold-in-soil anomalies that had been detected from previous AC drilling.
- **Hermes Gold Project (Gascoyne)** – a 21 RC hole program for 1545 metres was completed on 30 June 2010. The drilling program targeted potential resource extensions of gold mineralisation at the Winchester, Blake and Trapper West prospects as well as a copper anomaly south west of Hermes. Samples have been collected and assay results are due in the next 3 weeks.
- **Magnus Copper-Gold Project (Gascoyne)** – drilling has commenced at Magnus for a planned minimum 20 hole RC program for 4000 metres over the next 3-4 weeks to drill the following targets:
 - Conductors identified by VTEM and enhanced by completion of a ground based gravity survey; and
 - Other targets from gold-in-soil and/or surface geological indications.
- **Wilgeena (Gascoyne)** – diamond drilling will commence in late July 2010 to collect samples for metallurgical testwork as part of the Wilgeena mine development scoping study and to assist with negotiations with Barrick to implement an ore processing agreement.

This drilling program is the largest and most comprehensive in Alchemy’s short life. Selection of the drilling targets has been aided by “geological lessons” learned from a combination of previous drilling, geological and geophysical investigations both in the field and office.

Alchemy's geological team is confident in this target selection and is pursuing the targets and regular updates on exploration results will be provided as we work through the current programs.

– ENDS –

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ABOUT ALCHEMY RESOURCES

Alchemy is actively exploring four key areas; the Magnus Copper-Gold Project, the Hermes and Wilgeena Gold Projects, and the Murchison Projects (comprising six separate areas in the Murchison District).

The Magnus Copper-Gold Project is at the beginning of a rapid evaluation that will see drill testing of conductors identified by the VTEM survey, downhole EM and gold in soil anomalies associated with prospective areas identified by recently completed geological field mapping. An initial RC drill program was completed in May 2010 (refer to ASX announcement on 25 May 2010), and Alchemy will devote significant expenditure to additional drill programs over the next six months of 2010.

The Hermes Gold Project is the most advanced with a JORC code-compliant resource and an active drilling campaign. The Hermes Gold Project was originally acquired from Troy Resources NL in June 2008. Alchemy was attracted to the project by the existing JORC code-compliant Indicated gold resource of 1.7Mt @ 2.4g/t gold (equivalent to 131,000 ounces of gold), which the Company believes can be quickly developed to fund future exploration expenditure.

The Wilgeena Gold Project, located 15 kms south of Hermes, was identified as a key exploration target in 2009. Alchemy commenced a RC and diamond drill program in March 2010 with the aim to confirm and extend existing zones of gold mineralisation, previously explored by Plutonic Operations Ltd in 1997, which will enable Alchemy to estimate a JORC code-compliant resource for this advanced project.

The Murchison project comprises over 600 km² of prospective greenstone, mostly located between the Big Bell Mine (3.9 Moz gold) and Paddy's Flat (2 Moz gold). Some of the Murchison project tenements are a Joint Venture with Jindalee Resources.

Following a successful capital raising in March 2010, Alchemy is now fully funded for a concerted exploration effort at its Projects in the Gascoyne and Murchison Districts.