Alchemy Resources Limited

ABN 17 124 444 122

ANNUAL REPORT

For the year ended 30 June 2010

Corporate Directory

Directors

Warwick Davies	Non-Executive Chairman
Michael Hannington	Managing Director
Robert Downey	Non-Executive Director
John Arbuckle	Non-Executive Director

Company Secretary

John Arbuckle

Registered Office

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Auditors

Deloitte Touche Tohmatsu
Level 14, Woodside Plaza
240 St George's Terrace
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
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Securities Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd (ASX)
Home Exchange: Perth, Western Australia

ASX Code: **ALY**

Chairman's Letter

Dear Shareholder

Since floating on the Australian Securities Exchange ("ASX") on 26 November 2007, Alchemy Resources Limited ("Alchemy") has been actively building a gold exploration company with a strategy to take your company from exploration, to discovery and production as efficiently as possible.

During the past year, the company has employed a high calibre geological team to actively explore highly prospective exploration ground in the Gascoyne and Murchison Districts of Western Australia. The Company also raised a total of $9.57 million, during the year and at 30 June 2010 we had cash on hand of $5.83 million, demonstrating the board's intention to spend your money wisely on drill testing the best targets possible.

The directors' objective for all work undertaken by Alchemy is to add value for our shareholders. This is a challenge to achieve as an explorer, but provided we adhere to this principle, then over time we will be able to measure exploration success not only by what we find but by how cost effective our exploration program has been.

Exploration

Alchemy currently holds over 750km^2 of mining tenements in the Murchison District of Western Australia between Cue and Meekatharra and 400km^2 of mining tenements in the Gascoyne District of Western Australia approximately 130km north of Meekatharra.

Murchison District

Alchemy aims to differentiate itself as a clever explorer. Our 3D model of the entire Murchison District holds all the information we require to assist us to target gold mineralisation. This is the first time the Murchison District has been evaluated in this way and we believe that as we progress through our drilling programs on our projects we will highlight our ability to successfully target gold mineralisation. The exploration funding grant provided by the West Australian government in July 2009 to support 50% of our RC drilling costs and our early success at the Big Bell North Project are an encouraging start to our Murchison exploration programs.

Gascoyne District

Since the acquisition of the Three Rivers Project from Troy Resources NL ("Troy") in July 2008, Alchemy has undertaken a series of drilling programs to update the Hermes Gold Project resource, define a maiden gold resource at Wilgeena and rapidly drill test copper-gold targets at the Magnus Copper Gold Project. The evaluation of results and further exploration is ongoing. Further, Alchemy is evaluating alternatives to develop the Wilgeena gold resource.

Outlook

As a listed company of 2.5 years standing, Alchemy has enjoyed exploration success around our Hermes Gold Project and we continue to drill test promising exploration targets across all our tenements. As our exploration projects mature we will efficiently and effectively determine the best means to develop these projects to provide maximum shareholder value. Our objective is to continue to grow Alchemy by making long term commitments in the Districts where we explore to provide the best opportunities to find a large gold or other mineral deposits.

We believe we have the right people to undertake our exploration plans and will continue to provide the necessary support to actively explore our Projects.

Chairman's Letter

I am pleased to report that your company is operating well; the board is focused on creating shareholder value and our staff are particularly competent and well motivated. I thank everyone who has contributed to our exploration efforts over the past year and feel confident of the same commitment for the future.

Finally, on behalf of the Board, I wish to thank the shareholders for their investment support over the past year and in particular, the support for the exercising of the 2010 options and for the shareholder's ongoing support of Alchemy.

Warwick Davies
Chairman

The Directors present their report on Alchemy Resources Limited for the period 1 July 2009 to 30 June 2010.

Directors

The names and details of the Company's Directors in office during the financial period and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Warwick Davies, BA (Economics), Certificate of Chemistry – Non-Executive Chairman

Mr Davies is a Marketing Consultant with forty years experience in the Iron and Steel Industry including a variety of technical and commercial roles with BHP Steel (Newcastle and Whyalla), Hamersley Iron (Dampier) and Robe River Mining +Co (Cape Lambert and Perth), and Resource Mining Corporation.

During the period 1986 to early 2001, Mr Davies was employed by the Robe River Joint Venture in a variety of management roles culminating in a period of five years as General Manager Marketing. Mr Davies has a broad, in-depth knowledge of the world's iron ore and steel industries with an emphasis on South and East Asia, particularly China. In addition to the technical, commercial and strategic planning aspects of the iron ore business, Warwick has a solid background and understanding of the bulk freight market.

As an independent Marketing Consultant, Mr Davies has worked on a variety of assignments associated with the mining industry with particular emphasis on steel making raw materials for China. Since August 2004, Mr Davies has been Executive Director of Resource Mining Corporation developing expertise in the operation of junior exploration companies.

He brings to Alchemy a wealth of practical experience, industry contacts and a clear understanding of the mining industry. Mr Davies was appointed as a director on 16 March 2007.

Other current directorships
Executive Director of Resource Mining Corporation Limited (since 2005).

Former directorships in last 3 years
None

Michael Hannington, B.Sc LL.B – Managing Director

Mr Hannington has broad experience in the mining industry including approximately twelve years experience as a geophysicist working throughout Australia and North America and more recently approximately five years experience as a lawyer and contracts manager. Mr Hannington has supervised a diverse range of projects and been involved in all facets of the mining industry from project generation and acquisition through to exploration, evaluation drilling and production.

In recent years Mr Hannington has played key roles in financing and managing operations as a contracts manager with Oxiana Limited, having been approached by Oxiana to undertake a varied role in a growing company.

With his strong technical background and commercial and legal skills, Mr Hannington possesses a rare combination of hands-on technical and management expertise with a strong commercial focus. Mr Hannington was appointed as a director on 1 August 2007.

Other current directorships
None.

Former directorships in last 3 years
Talisman Mining Limited (Resigned 2007)

Robert Downey, B.Ed LL.B (Hons) – Non-Executive Director

Mr Downey has practiced law since 1998, and has been admitted to practice as a barrister and solicitor of the Supreme Court of Western Australia and the High Court of Australia. His focus has been with resource companies in the area of corporate law, initial public offerings, other equity raisings, mergers and acquisitions, with extensive experience with listed companies on the ASX, TSX and AIM markets. Mr Downey was appointed as a director on 16 March 2007.

Other current directorships
None.

Former directorships in last 3 years
Segue Resources Limited (Resigned 2008), Carpathian Resources Limited (Resigned 2008), North River Resources plc (AIM Listed) (Resigned 2008)

John Arbuckle, B.Bus CPA – Non-Executive Director/Company Secretary

Mr John Arbuckle is an accountant with extensive experience in the resources industry in Australia and overseas. Currently he operates a corporate advisory business that provides corporate and capital financing advice to resource industry companies. His previous positions included Chief Financial Officer and Company Secretary of Mount Gibson Iron Limited and Chief Financial Officer of Perilya Limited, where he guided both companies through difficult operational start up phases.

Prior to this he held senior financial management roles with Rio Tinto Limited, North Limited and Anaconda Nickel Limited. He has considerable experience in developing financial and risk management strategies for mining companies and the implementation of accounting controls and systems. Mr Arbuckle was appointed as a director on 16 March 2007.

Other current directorships
Prosperity Resources Ltd

Former directorships in last 3 years
Segue Resources Limited (Resigned 2008), Carpathian Resources Limited (Resigned 2008)

Other Directors

Nil.

Company Secretary

Mr John Arbuckle is also Company Secretary.

Auditor

Mr Neil Smith is the signing partner for Alchemy Resources Limited. Mr Smith is a partner of Deloitte Touche Tohmatsu. The auditor's independence declaration is attached later in this Annual Report.

Principal Activities

The principal activities of the Company during the financial period were the identification of suitable gold exploration and production opportunities and raising capital to fund those opportunities.

Review and Results of Operations

During the last year, Alchemy drilled a total of 35,862m, comprising 337 Air-core, 143 RC and 11 diamond drill holes.

Gascoyne Projects (Alchemy 100%)

Location

The Gascoyne Projects comprise two advanced gold projects and two regional exploration projects situated approximately 130km north of Meekatharra and 20km east of Peak Hill.

The Projects consist of over 400km² of granted tenements with the Magnus Copper Gold Project extending over a 25km strike length of the Narracoota Formation.

Geology

The Proterozoic Bryah Basin is situated along the northern margin of the Archaean Yilgarn Craton and is bounded to the north by the Marymia Inlier. Rock types within the Bryah Basin range from variably deformed and metamorphosed siltstones, mafic volcanics and chemically altered sediments with minor felsic volcanic units present. Deposit styles comprise, structurally controlled lode-gold only systems and VHMS (volcanogenic hosted massive sulfide) deposits with the potential to hosts high grade copper-gold systems. Alchemy has not discounted the potential for the presence of SEDEX (sedimentary exhalative), IOCG (iron oxide copper gold) and orogenic copper gold styles of mineralisation.

Exploration

Alchemy has extended the area of gold mineralisation surrounding the Hermes Gold Project and is targeting repeats of this mineralisation within 2km of the Hawkeye and Trapper deposits. In addition, Alchemy is also targeting extensions to the three gold mineralised shoots at Wilgeena located 20km southwest of Hermes.

90 RC holes have been drilled at the Hermes Gold Project in the last 12 months, locating new zones of gold mineralisation such as, Trapper West, located immediately southwest of the Hawkeye deposit. 6 diamond holes have been drilled to obtain oriented core for structural logging and metallurgical test sampling. An updated JORC resource estimate for Hermes will be undertaken in October.

A helicopter borne EM survey (VTEM) was undertaken on the Magnus Copper Gold Project in December 2009 over prospective Narracoota Formation rocks to identify conductors potentially associated with massive sulfide copper-gold mineralisation.

A program of RC drilling into the highest priority conductors is ongoing and to date, 19 RC holes have been completed. A downhole EM survey is routinely undertaken in each RC hole to identify if any off-hole conductors have been missed by the drilling.

In addition, surface geochemical soil sampling surveys and gravity surveys have been undertaken to identify any gold in soil anomalies and to highlight variations in rock density to distinguish volcanic rocks from sedimentary rocks. The RC drilling program is ongoing and will continue to the end of 2010 and beyond. Further gold only mineralisation has been identified at the Magnus Project and air-core and RC drilling campaigns will target this style of deposit.

Over the remainder of the Gascoyne projects, Alchemy is systematically exploring for multiple styles of copper gold and gold only mineralisation.

Murchison Projects (Alchemy 80%, Jindalee Resources Limited 20%)

Location

The Murchison Projects comprise six separate project areas situated in the Murchison District of Western Australia between Cue, Big Bell and Meekatharra.

The Projects consist of over 750km² of granted tenements covering a strike length of almost 100km within the Meekatharra-Wydgee Greenstone Belt.

Geology

The Meekatharra-Mount Magnet greenstone belts have historically contributed 10% of the gold production of Western Australia. The projects cover large areas of this late Archaean granitoid-greenstone terrain in the Murchison Province of the Yilgarn Craton. The lode-gold deposits of the greenstone belt are structurally controlled with both disseminated lodes and vein type lodes found adjacent to or within shear zones. The projects are located in areas of structural complexity within the greenstone belt along numerous regional scale shear zones including the Big Bell-Meekatharra shear and have significant potential for the discovery of new deposits.

Much of the project area is covered by Cainozoic cover sediments that obscure areas of mineralisation and provide a challenge for gold exploration in the region.

Exploration

Alchemy has confirmed the potential of its project areas for the discovery of further significant gold deposits in the highly prospective Murchison province. Historically, the project areas have been underexplored with current exploration focusing on areas of exposed bedrock and associated areas of shallow cover.

Alchemy's work has focused on integrating multi-spatial datasets (drilling, geochemistry, geological mapping, geophysics etc) into a regional scale 3D model to determine targets for further exploration. Much of this work has involved collating historical datasets into a functional exploration database for the Murchison tenements. This approach has been undertaken to focus future work primarily on the discovery of a multi-million ounce ore body within Alchemy's tenure. Alchemy has identified numerous large targets in areas of significant cover that have either not been explored or have received inappropriate testing such as widespread use of vacuum and auger drilling. (This is generally regarded as an inconclusive test of a targets' potential).

Work has been focused on moving these conceptual targets to the current stage where Alchemy has identified clear targets for systematic drilling campaigns.

Gidgee Project

Gidgee consists of a single granted exploration licence covering an area of 211.7km², and located about 40km southwest of the Meekatharra Township.

Exploration through the variably thick transported regolith that accounts for 90% of the project has hindered previous explorers.

The Gidgee Project area covers a 32km strike length of the prospective lithologies of the Abbotts greenstone belt in close proximity to the Big Bell to Meekatharra regional shear zone. Significant gold mineralisation has been found in quartz veins within granite at Wanganui immediately east of the tenement and at Weebacarry south of the tenement highlighting the general prospectively of the area. Previous exploration has highlighted two 5km long linear zones of greater than 50ppb gold in air-core at Marsh Bore and Cement Well on the Gidgee tenement. 7 RC holes were drilled into these targets in May and June with no significant gold anomalism was detected. Further evaluation of remaining targets will be undertaken next year.

Big Bell North

The Big Bell North Project comprises 125.5km² of granted exploration licenses 26km northwest of Cue. The project area covers the stratigraphy along strike from the 3.9Moz Big Bell Gold mine, and more than 10kms of strike length of the Big Bell shear itself.

The project also covers extensions to several regional scale structures including the Cuddingwarra Shear, the Lenlee structure and the BT Shear. Dilational sites associated with closure of the Big Bell Anticline (represented in the south of the project area by a large north-closing fold around a granitic gneiss body) and layer-parallel shearing on the eastern flank all add to the general prospectively of the area. Observed lithologies include mafic and felsic schists, felsic sediments, basalt/dolerite units and granite gneisses with the geometry of the Big Bell North tenements dominated by large north-northeast trending shear zones and faults.

Significant gold anomalies have already been identified through previous exploration drilling within the project area with one area returning results of up to 10m @ 1.5g/t Au (BRC004) and 7m @ 1.02g/t Au (BRC006). A wide spaced 400m x 200m air-core drill program was undertaken in May and returned anomalous gold results. An RC program was undertaken in June immediately following receipt of the air-core assay results and confirmed a coherent gold anomaly extending 2.5km x 1km. A follow-up in-fill air-core drill program is planned for October 2010

Wydgee Project

Wydgee comprises an area of 117km² including 105km² of granted exploration licenses with the remainder consisting of Prospecting License applications and one Exploration license application located 45km northwest of Cue.

The tenements are situated on the southern side of the Weld Range covering around 10km of strike length of the prospective Mt Weld shear zone and are underlain by a structurally complex stratigraphic sequence. Outcrop within the property is limited to about 25%, with a further 15% of the property comprising residual laterite. The Wydgee tenements consist of poorly outcropping felsic sediments, mafic schists and basalt/dolerite units. Numerous fault zones and shear zones have also been identified throughout the Wydgee tenement with mineralisation hosted in quartz veins and minor stockwork veins observed in historical workings.

The area was the site of a major gold rush in the early 1980s with the discovery of large amounts of gold nuggets from the soil plains lying over granite surrounding the Weld Range; sources for which are yet to be located.

Past exploration concentrated on suspect vacuum drilling and interface sampling strategies in shallow covered environments suggests many areas have not been adequately tested particularly when results do not compare favourably with those from RAB/AC holes in the area. A 33 hole aircore drill program undertaken in May to follow up on previous explorers work returned no significant gold anomalism. Further evaluation of the project area will be undertaken before the end of 2010.

Ninden Hill Project

The project comprises a single granted exploration licence, covering 97.8km², 28km north of the Cue Township.

Lode vein type gold deposits in differentiated mafic sills, similar in style to the Great Fingall and Golden Crown lodes, and shear hosted gold deposits similar to Cuddingwarra are the target of exploration in the area. Much of the prospective geology is mantled by a variably thick transported regolith that accounts for over 60% of the project area.

A coherent 600 metre long BLEG gold soil anomaly with correlated Cu, Pb, and Zn, is coincident with the trend of the upper part of the dolerite sill. A peak value of 8.6g/t Au was received from chip sampling of a quartz vein exposed within the anomaly. No drill testing has been undertaken on this anomaly. Field mapping has been undertaken and first pass air-core drilling is planned for 2011.

Further targets, including magnetic features on the eastern margin of the Cuddingwarra Shear Zone, and northeast-trending structural dislocations in north-trending dolerite sills, remain poorly drill tested.

Jeffery Well Project

Jeffery Well consists of a single granted exploration licence covering 82.6km² and lies 43km north of the Cue Township.

A variably thick, complex regolith mantles more than 80% of the prospective greenstone stratigraphy, which is exposed mainly in the southwest and southeast parts of the property. The thick regolith has hindered past explorers whom have concentrated efforts on areas of exposed bedrock.

Several gold-copper soil anomalies, including a 600m long anomaly has been inconclusively drill tested by interface vacuum and RAB drilling by previous explorers. Numerous historical gold workings are known at the "Stringer" prospect. Intensive exploration has concentrated on the exposed bedrock and shallow cover areas in the project; otherwise it remains largely untouched by modern exploration. A program to test the Sarus prospect is planned for late 2010..

Polelle Project

The Polelle project covers approximately 71.1km² of granted tenements, and lies between 10 and 45 km south of the Meekatharra Township.

The project straddles the eastern border of the Norrie Pluton and covers the north-eastern part of the prospective Meekatharra – Wydgee greenstone belt. The Mt Magnet Shear traverses north-south through the project area.

Gold mineralisation near Polelle is associated with quartz veins and stockworks hosted by sheared ultramafic rocks, altered mafic rocks and quartz-feldspar porphyry. The blind Mulla Mulla prospect lies on the intervening ground between exploration licenses 51/1225 and 51/1226.

Reverse circulation drilling intersections include 6 metres at 4.02 g/t Au from 137 metres (MMRC3) and 19 metres at 2.32 g/t Au from 91 metres (MMRC4), 5 metres at 3.82 g/t Au from 124 metres (MMRC15), 31 metres at 2.01 g/t Au from 164 metres (MMRC30) and 16 metres at 2.03 g/t Au from 35 metres (MMRC33). 59 RC holes and 21 air-core holes have been drilled in the prospect.

Several drill holes on Polelle, including an RC fence, have returned significant gold drill intercepts yet have received no systematic follow-up, including the RC fence which is open for over 6km of strike. A soil sampling program has been undertaken and the results from this program are being used to plan a first pass air-core drilling program in 2011.

Operating Results

The operating loss of the Consolidated Entity after providing for income tax of nil was $1,558,124 (2009:$1,498,908).

Financial Position

During the period, the company's net assets have increased by $7,704,653 to $11,772,828. This is largely due to a combination of capital raising, and capitalisation of exploration expenditure.

Significant Changes in the State of Affairs

There were no changes in the state of affairs of the Consolidated Entity other than those referred to elsewhere in this report of the financial statements or notes thereto.

Significant Events After Balance Date

During July and August 2010, 20,398,575 options were converted totalling $5,099,643.

A further 796,517 options were underwritten totalling $199,129.

There have been no other events subsequent to balance date which are sufficiently material to warrant disclosure.

Likely Developments and Expected Results

Likely developments in the operations of the economic entity are included elsewhere in this Annual Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors, to do so would be likely to prejudice the business activities of the Consolidated Entity.

Environmental Regulation and Performance

There are no particular and significant environmental regulations that affected the performance of the Consolidated Entity's operations.

Proceedings on Behalf of the Consolidated Entity

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Consolidated Entity, or to intervene in any proceedings to which the Consolidated Entity is a party, for the purpose of taking responsibility on behalf of the Consolidated Entity for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Consolidated Entity with leave of the Court under section 237 of the Corporations Act 2001.

Remuneration Report (Audited)

Remuneration of directors and executives is referred to as compensation throughout this report. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity including directors of the Consolidated Entity and other executives. They include the five most highly remunerated section 300A directors and executives for the Consolidated Entity. Compensation levels for directors and key management personnel of the Consolidated Entity are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The Board is responsible for compensation policies and practices. The Board, where appropriate, seeks independent advice on remuneration policies and practices, including compensation packages and terms of employment.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Consolidated Entity.

There is no direct link between remuneration paid to any non-executive and executive directors and corporate performance. There are no termination or retirement benefits for non-executive directors (other than statutory superannuation).

Non-Executive Directors

The Non-executive directors receive a fixed fee for their services of $32,500 per annum (including statutory superannuation). The Chairman receives $45,000 per annum (including statutory superannuation).

Fixed Compensation for Executives

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds. Compensation levels are reviewed annually by the Board where applicable.

Remuneration levels for directors, secretaries, senior managers of the Company and relevant group executives of the economic entity ("the directors and senior executives") are competitively set to attract and retain appropriately qualified and experienced directors and senior executives.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the directors and senior executives
- the directors and senior executives ability to control the relevant segments performance
- the economic entity's performance including:
    - the economic entity's operational and financial performance
    - the scale and complexity of operations
    - the growth in share price and returns on shareholder wealth
- the amount of incentives within each directors and senior executives remuneration
- the broader economic and market conditions in which the economic entity operates.

Remuneration packages may include a mix of fixed and variable remuneration, short and long-term performance-based incentives and are reviewed on an annual basis.

Service Contracts

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in service agreements.

M Hannington, *Managing Director*

- Base salary, inclusive of superannuation for the year ended 30 June 2010 of $250,000;
- the executive or employee may terminate this agreement by providing 3 months' written notice;
- in the event of a redundancy situation, the Company will pay an amount equivalent to 12 months' salary; and
- Mr Hannington has previously been provided with 3,000,000 unlisted options.

L Hopkins, *Project Development Manager (Part-time)*

- Base salary, inclusive of superannuation for the year ended 30 June 2010 of $148,000; and
- the executive or employee may terminate this agreement by providing 1 months' written notice.

K Cassidy, *Exploration Manager*

- Base salary, inclusive of superannuation for the year ended 30 June 2010 of $185,000; and
- the executive or employee may terminate this agreement by providing 1 months' written notice.

Remuneration

Details of the remuneration of the directors of the Consolidated Entity and key management personnel are set out in the following table.

The key management personnel of the Consolidated Entity for 2010 include the directors and the following executive officer:

- Mr Lyndon Hopkins – Project Development Manager (employed 7 September 2009)
- Mr Kevin Cassidy – Exploration Manager (employed 8 January 2010)

2010	**Short-term Benefits**			**Post-employment benefits**	**Share-based Payment**		**% of Remuneration to total from**	
Name	**Salary and Fees** $	**Cash Bonus** $	**Non-Monetary Benefit** $	**Super-annuation** $	**Options** $	**Total** $	**Options** %	**Bonus** %
Directors								
W Davies (a)	44,998	-	-	-	-	44,998	-	-
M Hannington	248,463	-	-	22,361	518	271,342	0.2	-
R Downey (b)	218,442	-	-	-	-	218,442	-	-
J Arbuckle (c)	119,500	-	-	-	-	119,500	-	-
Executives								
L Hopkins	120,167	-	-	10,815	22,467	153,449	14.6	-
K Cassidy	83,243	-	-	7,492	28,084	118,819	23.6	-
Totals	834,813	-	-	40,668	51,069	926,550		

(a) Mr Davies received $44,998 for directors' fees.

(b) Mr Downey received $32,500 for directors' fees and $185,942 for services rendered outside of his duties as a director.

(c) Mr Arbuckle received $32,500 for directors' fees and $87,000 for services rendered outside of his duties as a director.

Remuneration (continued)

The key management personnel of the Consolidated Entity for 2009 include the directors and the following executive officer:

- Mr Jonathan King – Exploration Manager (ceased employment 10 August 2008)

2009	**Short-term Benefits**			**Post-employment benefits**	**Share-based Payment**		**% of Remuneration to total from**	
Name	**Salary and Fees** $	**Cash Bonus** $	**Non-Monetary Benefit** $	**Super-annuation** $	**Options** $	**Total** $	**Options** %	**Bonus** %
Directors								
W Davies (a)	42,996	-	-	-	-	42,996	-	-
M Hannington	210,238	-	-	18,921	26,183	255,342	10.3	-
R Downey (b)	32,073	-	-	-	-	32,073	-	-
J Arbuckle (c)	84,999	-	-	-	-	84,999	-	-
Executives								
J King	38,382	-	-	2,216	-	40,598	-	-
Totals	408,688	-	-	21,137	26,183	456,008		

(a) Mr Davies received $39,996 for directors' fees and $3,000 for services rendered outside of his duties as a director.

(b) Mr Downey received $24,999 for directors' fees and $7,074 for services rendered outside of his duties as a director.

(c) Mr Arbuckle received $24,999 for directors' fees and $60,000 for services rendered outside of his duties as a director.

Share-based payment option plan

During the financial year the following share-based payment arrangements were in existence

Issue	**Grant Date**	**Expiry Date**	**Fair value per option**	**Exercise Price**	**Vesting Date**	**No. Of Options**
1	1 August 2007	30 June 2011	$0.044	$0.25	1 July 2007	5,250,000
2	1 August 2007	30 June 2012	$0.041	$0.37	1 July 2008	1,000,000
3	1 August 2007	1 June 2013	$0.050	$0.50	1 July 2009	1,000,000
4a	10 July 2009	30 June 2012	$0.061	$0.37	31 March 2010	50,000
4b	10 July 2009	30 June 2012	$0.061	$0.37	31 March 2011	50,000
5a	10 July 2009	30 June 2012	$0.066	$0.50	31 March 2010	50,000
5b	10 July 2009	30 June 2012	$0.066	$0.50	31 March 2011	50,000
6	14 September 2009	30 September 2012	$0.132	$0.25	14 September 2010	750,000
7a	5 February 2010	31 March 2012	$0.185	$1.30	5 February 2011	225,000
7b	5 February 2010	31 March 2012	$0.185	$1.30	5 February 2012	225,000
8a	5 February 2010	31 March 2013	$0.192	$2.10	5 February 2011	225,000
8b	5 February 2010	31 March 2013	$0.192	$2.10	5 February 2012	225,000

Share-based payment option plan (continued)

There is no further service or performance criteria that need to be met in relation to options granted under issue 1-3, 4a, 5a & 6 before the beneficial interest vest in the recipient. Executives and senior employees receiving options under option series 4b, 5b, 7 and 8 are entitled to the beneficial interest under the option only if they remain in Alchemy's employ up to the option's vesting date.

With regards to the options granted to Messrs Hopkins & Cassidy the following information was used in determining the fair value of options on grant date issued during the year:

Name	Issue	No. Granted	During the financial year No. vested	% of granted vested	% of granted forfeited	% of Compensation for the year consisting of options
M Hannington	3	-	1,000,000	100%	-	0.2
L Hopkins	6	200,000	-	-	-	7.4
	7	200,000	-	-	-	7.2
K Cassidy	6	250,000	-	-	-	11.6
	7	250,000	-	-	-	12.0

During the year, no director or senior management exercised options that were granted to them as part of their compensation.

The following table summarises the value of options granted, exercised or lapsed to directors and senior management during the current year:

Name	Value of options granted at grant date(i) $	Value of options exercised at the exercise date $	Value of options lapsed at the date of lapse (ii) $
L Hopkins	75,408	-	-
K Cassidy	94,260	-	-

i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.
ii) The value of options lapsing during the period due to the failure to satisfy a vesting condition is determined assuming the vesting condition had been satisfied

End of remuneration report.

Meetings of Directors

The following directors' meetings were held during the year and the number of meetings attended by each of the directors during the year were:

Directors	Directors' meetings held	Directors' meetings attended
W Davies	9	9
R Downey	9	9
J Arbuckle	9	9
M Hannington	9	9

There were no audit, remuneration or nomination committee meetings during the year.

Directors' Interests in the Shares and Options of the Company

As at the date of this report, the relevant interest of each director in the shares and options of Alchemy Resources Limited were:

Direct Interest	Ordinary Shares	Options $0.25 30/06/11	Options $0.37 30/06/12	Options $0.50 30/06/13
W Davies	796,500	1,000,000	-	-
M Hannington	602,661	1,000,000	1,000,000	1,000,000
R Downey	-	750,000	-	-
J Arbuckle	-	750,000	-	-

Indirect Interest	Ordinary Shares	Options $0.25 30/06/11	Options $0.37 30/06/12	Options $0.50 30/06/13
W Davies	-	-	-	-
M Hannington	-	-	-	-
R Downey (i)	5,573,500	-	-	-
J Arbuckle (i)	5,573,500	-	-	-

(i) Messrs Downey and Arbuckle are both directors of Canaccord Capital (Australia) Pty Ltd which is the legal owner of the shares and options and holds them as trustee for the Big Bird Trust and the Raptor Trust.

Options over Unissued Capital

At the date of this report, the following options were on issue:

Number	Exercise Price	Expiry Date
3,500,000	$0.25	30 June 2011
1,050,000	$0.37	30 June 2012
750,000	$0.25	30 September 2012
1,100,000	$0.50	30 June 2013
450,000	$1.30	31 March 2012
450,000	$2.10	31 March 2013

During or since the end of the financial period 29,534,000 options were exercised.

Officers' Indemnities and Insurance

The Company has, during the financial period, entered into an agreement with the Directors and certain officers to indemnify these individuals against any claims and related expenses which arise as a result of work completed in their respective capabilities.

During the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers of Alchemy Resources Limited against costs incurred in defending proceedings except for conduct involving:
(a) a wilful breach of duty; or
(b) a contravention of sections 182 or 183 of the Corporations Act 2001,
as permitted by section 199B of the Corporations Act 2001.

The total amount of insurance contract premiums paid was $5,994 (2009:$6,864).

Non-Audit Services

The Consolidated Entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity and/or Group are important.

Details of the amount paid or payable to the auditor (Deloitte) for the audit and non-audit services provided during the year are set out in note 19.

The Board of directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement APES110, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as advocate for the Group or jointly sharing economic risk and rewards.

Dividends

No dividend has been paid since the end of the financial period and no dividend is recommended for the current year.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Signed in accordance with a resolution of the Directors

Warwick Davies
Chairman
Perth, 29 September 2010

Deloitte.

Deloitte Touche Tohmatsu
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The Directors
Alchemy Resources Limited
18 Emerald Terrace
WEST PERTH WA 6005

29 September 2010

Dear Board Members

Alchemy Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Alchemy Resources Limited.

As lead audit partner for the audit of the financial statements of Alchemy Resources Limited and its controlled entities for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants

Corporate Governance Statement

Alchemy Resources Limited ("**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P&R[1]	**If not, why not[2]**		**ASX P&R[1]**	**If not, why not[2]**
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4[3]	n/a	n/a
Recommendation 1.3[3]	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1		✓	Recommendation 5.2[3]	n/a	n/a
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2[3]	n/a	n/a
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6[3]	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3[3]	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3[3]	n/a	n/a
Recommendation 4.2		✓			

1 Indicates where the Company has followed the Principles & Recommendations.
2 Indicates where the Company has provided "if not, why not" disclosure.
3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.alchemyresources.com.au, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

Charters	**Recommendation(s)**
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3

Policies and Procedures	Recommendation(s)
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on Continuous Disclosure (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year ("**Reporting Period**").

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Managing Director is responsible for evaluating the senior executives. This is based on a formal process which has been established by the Company and comprises an interview between the Managing Director and each senior executive. During the interview the senior executive's performance is reviewed having regard to the written statement of responsibilities and key performance indicators for each senior executive.

Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1.*

Disclosure:

During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed.

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Notification of Departure:

The Board has a majority of directors who are not independent.

The independent director of the Board is Warwick Davies. The non independent directors of the Board are Michael Hannington, John Arbuckle and Robert Downey.

Explanation for Departure:

The Board considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business. The Board recognises the importance of a majority of independent Directors and proposes to appoint one or more appropriately qualified new board members over the next 12 months to assist the Company with the next stage of development.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

The independent Chair of the Board is Warwick Davies.

Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Managing Director is Michael Hannington who is not Chair of the Board.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Disclosure:

The Board has established a Nomination Committee. No meetings were held during the year.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Chair is also responsible for evaluating the Managing Director.

The method of review includes formal discussion of performance of the board as a whole as an annual agenda item at board meetings, as well as an annual one on one meeting between the Chair and each director.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent director of the Company is Warwick Davies. This director is independent as they are a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 5% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company’s rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The Nomination Committee held no meetings during the Reporting Period. The following table identifies those directors who are members of the Nomination Committee and shows their attendance at Committee meetings:

Name	No. of meetings attended
Warwick Davies	Nil
Michael Hannington	Nil
Robert Downey	Nil

Performance Evaluation

During the Reporting Period an evaluation of the Board, its committees, and individual directors took place in accordance with the process disclosed.

Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Subject to Clause 13.39 (of the Company's Constitution) at the Annual General Meeting in every year one-third of the Directors for the time being, or, if their number is not 3 nor a multiple of 3, then the number nearest one-third, and any other Director not in such one-third who has held office for 3 years or more (except the Managing Director), must retire from office. Re-appointment of directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

Recommendation 3.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 3.*

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1:

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee. No meetings were held during the year.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Notification of Departure:

The Audit Committee comprises two directors, Robert Downey and Warwick Davies. Only Warwick Davies is independent.

Explanation for Departure:

The Company considers that the members of the Audit Committee are the most appropriate, given their experience and qualifications, for the Company's current needs. The Board has adopted an Audit Committee Charter, which the Audit Committee applies when convening. The Board expects to be able to satisfy the composition requirements of recommendation 4.2 once new board members are appointed.

Recommendation 4.3

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4.*

Disclosure:

The following table identifies those directors who are members of the Audit Committee and shows their attendance at Committee meetings:

Name	No. of meetings attended
Robert Downey	nil
Warwick Davies	nil

No meeting was convened as audit items were dealt with by the full board.

Details of each of the director's qualifications are set out in the Directors' Report.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5.*

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6.*

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and

- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices

In June 2010, the Board resolved to review, formalise and document the management of its material business risks and expects to implement this system in October 2010. This system is expected to include the preparation of a risk register by management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks will be allocated to members of senior management. The risk register will be reviewed quarterly and updated, as required.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 7.*

Disclosure:

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

The Company has established a Remuneration Committee, which comprises all directors of the Company.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the [Board] and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Recommendation 8.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 8.*

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The full Board, in its capacity as the Remuneration Committee, held no meetings during the Reporting Period. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	Consolidated 2010 $	2009 $
Continuing Operations			
Other income	3	**157,365**	121,282
Corporate expense	3	**(563,536)**	(297,936)
Exploration expense	3	**(465,461)**	(835,420)
Employee expense	3	**(597,851)**	(404,767)
Administration expense	3	**(322,767)**	(313,444)
Finance costs		**(4,835)**	(1,104)
Loss from continuing operations before income tax		**(1,797,085)**	(1,731,389)
Income tax benefit	5	**238,961**	232,481
Loss for the period		**(1,558,124)**	(1,498,908)
Other comprehensive income		**-**	-
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(1,558,124)**	(1,498,908)
		Cents per share	Cents per share
Earnings per share			
- basic loss per share	18	**(2.79)**	(3.27)
- diluted loss per share	18	**(2.79)**	(3.27)

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated Statement of Financial Position

At 30 June 2010

	Notes	Consolidated 2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	**5,827,817**	1,397,040
Trade and other receivables	7	**303,752**	329,609
Other current assets	8	**14,746**	4,122
Total Current Assets		**6,146,315**	1,730,771
Non-Current Assets			
Exploration and evaluation	9	**6,398,131**	2,557,668
Property, plant and equipment	10	**343,553**	25,621
Total Non-Current Assets		**6,741,684**	2,583,289
TOTAL ASSETS		**12,887,999**	4,314,060
LIABILITIES			
Current Liabilities			
Trade and other payables	12	**813,345**	232,567
Provisions	13	**79,017**	12,676
Interest bearing liabilities	14	**34,837**	-
Total Current Liabilities		**927,199**	245,243
Non-Current Liabilities			
Provisions	13	**2,815**	642
Interest bearing liabilities	14	**185,157**	-
Total Non-Current Liabilities		**187,972**	642
TOTAL LIABILITIES		**1,115,171**	245,885
NET ASSETS		**11,772,828**	4,068,175
EQUITY			
Issued capital	15	**15,208,016**	5,912,102
Reserves	16	**545,436**	578,573
Accumulated losses	17	**(3,980,624)**	(2,422,500)
TOTAL EQUITY		**11,772,828**	4,068,175

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated Statement Changes in Equity

For the year ended 30 June 2010

	Attributable to equity holders of the entity			Total equity
	Issued capital	Reserves	Accumulated Losses	
	$	$	$	$
At 1 July 2008	**4,884,269**	**336,737**	**(923,592)**	**4,297,414**
Loss for the period	-	-	(1,498,908)	(1,498,908)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period net of tax	**-**	**-**	**(1,498,908)**	**(1,498,908)**
Transactions with owners in their capacity as owners				
Issue of shares	1,052,400	-	-	1,052,400
Transactions costs of issuing shares	(24,567)	-	-	(24,567)
Share –based payments	-	241,836	-	241,836
At 30 June 2009	**5,912,102**	**578,573**	**(2,422,500)**	**4,068,175**

	Attributable to equity holders of the entity			Total equity
	Issued capital	Reserves	Accumulated Losses	
	$	$	$	$
At 1 July 2009	**5,912,102**	**578,573**	**(2,422,500)**	**4,068,175**
Loss for the period	-	-	(1,558,124)	(1,558,124)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period net of tax	**-**	**-**	**(1,558,124)**	**(1,558,124)**
Transactions with owners in their capacity as owners				
Issue of shares	10,062,366	-	-	10,062,366
Transactions costs of issuing shares	(766,452)	-	-	(766,453)
Share –based payments	-	(33,137)	-	(33,136)
At 30 June 2010	**15,208,016**	**545,436**	**(3,980,624)**	**11,772,828**

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows
For the year ended 30 June 2010

	Notes	Consolidated 2010 $	2009 $
Cash flows from operating activities			
Payments to suppliers and employees		**(911,096)**	(1,415,232)
Interest income		**114,763**	121,156
Interest Expense		**(4,835)**	(1,105)
Net cash flows from/(used in) operating activities	26	**(801,168)**	(1,295,181)
Cash flows from investing activities			
Purchase of property, plant & equipment		**(349,361)**	(15,264)
Proceeds from sale of plant & equipment		**-**	23,637
Payment for exploration assets		**(3,840,463)**	(943,745)
Net cash flows from/(used in investing activities		**(4,189,824)**	(935,372)
Cash flows from financing activities			
Proceeds from issue of shares		**7,500,000**	-
Proceeds from issue of options		**2,072,227**	151,653
Payments for capital raising		**(370,452)**	(24,567)
Proceeds from finance lease		**236,204**	-
Payment of finance lease		**(16,210)**	(41,714)
Net cash flows from/(used in) financing activities		**9,421,769**	85,372
Net increase in cash and cash equivalents		**4,430,777**	(2,145,181)
Cash and cash equivalents at beginning of period		**1,397,040**	3,542,221
Cash and cash equivalents at end of period	6	**5,827,817**	1,397,040

The above statement of financial position should be read in conjunction with the accompanying notes

1. Corporate Information

The financial report of Alchemy Resources Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 29 September 2010.

Alchemy Resources Limited is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. The nature of the operation and principal activities of the Company are described in the attached Directors' Report.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report and by all entities in the consolidated entity.

2. Statement of Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs), which include Australian equivalents to International Financial Reporting Standards ("IFRS") (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Compliance with IFRS
The financial report complies with Australian Accounting Standards and International Financial Reporting Standards ('IFRS').

New accounting standards and interpretations
The Group has adopted all new and revised Australian Accounting Standards and AASB Interpretations that are relevant to its operations and effective for reporting periods beginning on 1 July 2009. The following standards have had an impact on the group:

New or revised requirement	Effective for annual reporting periods ending / beginning on or after	More information	Impact on Group
AASB 8: Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8. This standard supersedes AASB 114, Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The Group has revised its disclosure requirements in accordance with AASB 8, for the Group's operating segments, as described in Note 4.
AASB 123: Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12. This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Group.

New or revised requirement	Effective for annual reporting periods ending / beginning on or after	More information	Impact on Group
AASB 101: Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101. The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The Group has adopted the revised terminologies for presentation of its financial statements in accordance with AASB 101.
AASB 2008-1: Amendments to AASB 2 "Share Based Payments" The amendment clarifies that vesting conditions comprise service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Group.
AASB 2008-7: Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 & AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate	Beginning 1 January 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no impact on the Group.
AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB2008-3 Amendments to AASBs arising from AASB 3 and AASB 127 This revision changes the application of acquisition accounting for business combinations and accounting for non - controlling interests. The revised and amended standards changes affect the valuation of non controlling interest, the accounting of transaction costs and the initial recognition and subsequent recognition of contingent considerations.	Beginning 1 July 2009	This has been adopted for the year ended 30 June 2010	These standards are applied prospectively and had no material impact on prior business combinations. The adoption has amended the accounting policy of business combinations for the Group.

New or revised requirement	Effective for annual reporting periods ending / beginning on or after	More information	Impact on Group
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project; AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project; AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process; AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process These makes amendments to various Australian Accounting Standards which have led to a number of terminology changes, but have had no material effect.	Beginning 1 July 2009	This has been adopted for the year ended 30 June 2010	The adoption of this standard had no material impact on the Group.

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the year ended 30 June 2010.

New or revised requirement	Effective for annual reporting periods ending / beginning on or after	More information	Impact on Group
AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.	Beginning 1 January 2010	This will be adopted for the year ending 30 June 2011.	Management does not anticipate any impact on adoption.
AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments.	Beginning 1 January 2010	This will be adopted for the year ending 30 June 2011.	Management does not anticipate any impact on adoption.

<table>
<tr><th>New or revised requirement</th><th>Effective for annual reporting periods ending / beginning on or after</th><th>More information</th><th>Impact on Group</th></tr>
<tr><td> AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]. AASB 9 simplifies the classifications of financial assets into two categories: Those carried at amortised cost; and
Those carried at fair value. Simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately. Removes the tainting rules associated with held-to-maturity assets. Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. </td><td>Beginning 1 January 2013.</td><td>This will be adopted for the year ending 30 June 2014.</td><td>Management does not anticipate any impact on adoption.</td></tr>
<tr><td> AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]. AASB 2009-12 makes amendments to a number of Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. </td><td>Beginning 1 January 2011</td><td>This will be adopted for the year ending 30 June 2012.</td><td>Management does not anticipate any impact on adoption.</td></tr>
<tr><td> Revised AASB 124: Related Party Disclosures (December 2009): Related Party Disclosures (December 2009). Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party. </td><td>Beginning 1 January 2011</td><td>This will be adopted for the year ending 30 June 2012.</td><td>Management does not anticipate any impact on adoption.</td></tr>
</table>

New or revised requirement	Effective for annual reporting periods ending / beginning on or after	More information	Impact on Group
AASB 2009-10: *Amendments to Australian Accounting Standards - Classification of Rights Issues.* *Clarifies that rights options or warrants to acquire a fixed number of an entities own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments.*	Beginning 1 February 2010	This will be adopted for the year ending 30 June 2011.	Management does not anticipate any impact on adoption.
Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments. Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instrument issued) with the difference between the fair value of the instrument and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of a convertible debt) or to common control transactions.	Beginning 1 July 2010	This will be adopted for the year ending 30 June 2011.	Management does not anticipate any impact on adoption.

(A) Basis of Accounting

These consolidated financial statements have been prepared under the historical cost convention, except where stated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed where appropriate.

(B) Functional and Presentation of Currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the presentation currency of the consolidated entity.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the exchange rate at balance sheet date. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

(B) Functional and Presentation of Currency (continued)

Translation differences arising on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(C) Use of Estimates and Judgements

The preparation of financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant accounting judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

The Company's accounting policy for exploration and evaluation expenditure is set out at Note 2(L). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

i) Impairment of assets
In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

ii) Commitments – Exploration
The Company has certain minimum exploration commitments to maintain its right of tenure to exploration permits. These commitments require estimates of the cost to perform exploration work required under these permits.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4 Income Taxes, Note 2(S) Employee Benefits and Note 2(U) Share-based Payments.

(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) Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:
- Interest income is recognised as it accrues.

(F) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(F) Income Tax (continued)

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(G) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(H) Trade and Other Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 120 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(I) Investments and Other Financial Assets

The consolidated entity determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

Fair value is the measurement basis, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or to an equity reserve.

Fair value is determined based on current bid prices for all quoted investments. If there is not an active market for a financial asset fair value is measured using established valuation techniques.

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets are impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists the cumulative loss is removed from equity and recognised in the income statement.

(J) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased Assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Subsequent Costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the consolidate entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful live in the current and comparative periods are as follows:

- Plant and equipment over 2 to 10 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Derecognition

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(K) Business Combination

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

(K) Business Combination (continued)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's sharebased payment awards are measured in accordance with AASB 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(L) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences/permits, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the income statement.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(i) the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

(ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (M). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

(L) Exploration and Evaluation Expenditure (continued)

Once the technical feasibility and commercial viability of the extraction of gold in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to gold property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

(M) Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash inflows (cash generating units).

(N) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(O) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(P) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present values of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for without compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(Q) Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(R) Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivable and payable are stated with the amount of GST included.

The amount of GST recoverable from the taxation authority is included as part of the receivables in the Balance Sheet. The amount of GST payable to the taxation authority is included as part of the payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(S) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognised termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after reporting date are discounted to present value.

(T) Earnings Per Share

Basic Earnings Per Share – is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period.

Diluted Earnings Per Share – adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(U) Share-Based Payments

The Company provides benefits to employees of the Company in the form of share options. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, on a straight line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number that vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(V) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee
Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note N). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(W) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(X) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government assistance which does not have conditions attached specifically relating to the operating activities of the entity is recognised in accordance with the accounting policies above.

(Y) Financial Assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

(Z) Financial Liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'other financial liabilties'. The consolidated entity only has other financial liabilities.

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis.

	Consolidated 2010 $	2009 $
3. Revenue and Expenses		
Other income		
Finance income – Banks	**157,267**	121,156
Other	**98**	126
Total other income	**157,365**	121,282
Expenses		
Corporate Expenses		
Consultancy (Australia)	**195,542**	46,090
Company secretary fees	**77,400**	60,000
Related-party consultancy	**213,585**	106,090
Exploration expense		
Exploration expense	**70,234**	338,973
Research & development direct expense	**395,227**	496,447
Exploration expense	**465,461**	835,420
Employee expenses		
Employee benefit and director compensation expense	**488,536**	294,383
Expense of share based payments	**61,002**	90,183
Training & development costs	**36,798**	13,071
Other employee costs	**11,515**	7,130
Total employee expense	**597,851**	404,767
Administration expense		
Depreciation		
- Property, plant and equipment	**31,182**	10,304
Total depreciation	**31,182**	10,304
Loss on sale of Vehicle	**-**	14,844
Loss on sale of other Assets	**247**	510
Total loss/(gain) on sale of assets	**247**	15,355
Occupancy	**49,690**	41,430
Provision for bad & doubtful debts	**-**	150,000

Government grant of $66,857 was received under the Exploration Incentive Scheme with a further $16,714 due late September 2010. The grant is directly offset against the drilling costs incurred under the conditions of the grant.

4. Segment Information

The Group has adopted AASB 8 *Operating Segments* with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (AASB 114 *Segment Reporting*) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments. As a result, following the adoption of AASB 8, the identification of the Group's reportable segments has changed.

The following is an analysis by reportable segment for 30 June 2010:

	Mineral Exploration	Unallocated	Consolidation
	$	$	$
Segment Income			
Other income	1,194	156,171	157,365
Total Income	**1,194**	**156,171**	**157,365**
Segment Expense			
Exploration expense	(465,461)	-	(465,461)
Net other costs	(1,876)	(1,455,931)	(1,457,807)
Profit (loss) before amortisation and depreciation	(466,143)	(1,299,760)	(1,765,903)
Amortisation and depreciation	-	(31,182)	(31,182)
Profit (loss) before income tax benefits	(466,143)	(1,330,942)	(1,797,085)
R&D Concession	238,961	-	238,961
Total comprehensive income for the period	**(227,182)**	**(1,330,942)**	**(1,558,124)**
Segment assets and liabilities			
Assets	6,632,035	6,255,964	12,887,999
Liabilities	499,576	615,595	1,115,171
Net assets	**6,132,459**	**5,640,369**	**11,772,828**

The following is an analysis by reportable segment for 30 June 2009:

	Mineral Exploration	Unallocated	Consolidation
	$	$	$
Segment Income			
Other income	520	120,762	121,282
Total Income	**520**	**120,762**	**121,282**
Segment Expense			
Exploration expense	(835,420)	-	(835,420)
Net other costs	(1,196)	(1,005,751)	(1,006,947)
Profit (loss) before amortisation and depreciation	(836,616)	(884,989)	(1,721,085)
Amortisation and depreciation	-	(10,304)	(10,304)
Profit (loss) before income tax benefits	(836,616)	(895,293)	(1,731,389)
R&D Concession	232,481	-	232,481
Total comprehensive income for the period	**(603,615)**	**(895,293)**	**(1,498,908)**
Segment assets and liabilities			
Assets	2,659,769	1,654,291	4,314,060
Liabilities	59,694	186,191	245,885
Net assets	**2,600,075**	**1,468,100**	**4,068,175**

	Consolidated	
	2010	**2009**
	$	**$**
5. Income Tax Expense		
Major components of income tax expense for the years ended 30 June 2010 and 2009 are:		
Income Statement		
Current income tax		
- Current income tax charge	**-**	-
- Adjustments in respect of current income tax of previous years	**(238,961)**	(232,481)
Deferred income tax		
- Relating to origination and reversal of temporary differences	**-**	-
Income tax expense reported in income statement	**(238,961)**	(232,481)
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2009 and 2008 is as follows:		
Accounting loss from continuing operations before income tax	**(1,792,085)**	(1,498,908)
At the statutory income tax rate of 30% (2008: 30%)	**(537,625)**	(449,672)
add		
- Non-deductible expenses	**154,782**	305,326
- Tax loss not brought to account as a deferred tax asset	**465,387**	144,346
- Capital raising costs	**(82,544)**	-
- Adjustments in respect of previous current income tax	**(238,961)**	(232,481)
Income tax benefit reported in income statement	**(238,961)**	(232,481)

	Consolidated 2010 $	2009 $
5. Income Tax Expense (continued)		
Deferred income tax		
Recognised on the Balance Sheet		
Deferred income tax at 30 June 2009 relates to the following:		
Deferred income tax liabilities		
- Capitalised expenditure deductible for tax purposes	**1,919,542**	550,508
- Interest receivable	**12,911**	53
	1,932,453	550,561
Deferred income tax assets		
- Loans	**(45,000)**	-
- Trade and other payables	**(5,405)**	-
- Employee benefits	**(23,705)**	-
- Provisions	**(845)**	-
- Business related costs	**(3,099)**	-
- Capitalised expenditure	**(516)**	-
- Tax losses	**(1,853,883)**	(550,561)
Net deferred tax asset/(liability)	**-**	-
Deferred tax assets have not been recognised in respect of the following items:		
- Trade and other payables	**-**	5,832
- Accrued expenditure	**-**	3,996
- Provision for bad debts	**-**	45,000
- Business related costs	**258,659**	111,328
- Provision for impairment	**-**	-
- Tax losses	**823,695**	495,732
Potential unrecognised tax benefit at 30%	**1,082,354**	661,888

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise benefits.

Tax Consolidation

Alchemy Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The accounting policy in relation to this legislation is set out in note 2(F).

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the directors, limits the joint and several liability of the wholly-owned entities in the case of default

		Consolidated 2010 $	Consolidated 2009 $
6.	**Cash and cash equivalents**		
	Cash at bank and on hand	**1,382,340**	1,362,865
	Deposits at call	**4,445,477**	34,175
		5,827,817	1,397,040

The weighted average interest rate for the year was 3.94%

		Consolidated 2010 $	Consolidated 2009 $
7.	**Trade and other receivables**		
	Current		
	GST receivable	**240,510**	58,539
	R&D concession	**-**	232,481
	Other	**63,242**	38,589
		303,752	329,609
8.	**Other current assets**		
	Prepayments	**14,746**	4,122
		14,746	4,122
9.	**Exploration and evaluation**		
	Opening balance	**2,557,668**	737,885
	Acquisition costs (note 28)	**-**	1,406,900
	Exploration expenditure during the year	**3,840,463**	412,883
	Closing balance	**6,398,131**	2,557,668

The recoverability of the carrying amount of deferred exploration and evaluation expenditure is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

10. Property, plant and equipment	Consolidated 2010 $	2009 $
Motor vehicle		
- At cost	**121,532**	-
- Accumulated depreciation	**(8,361)**	-
Total motor vehicle	**113,171**	-
Mobile accommodation		
- At cost	**164,296**	-
- Accumulated depreciation	**(7,266)**	-
Total mobile accommodation	**157,030**	-
Office equipment		
- At cost	**20,683**	9,325
- Accumulated depreciation	**(4,623)**	(1,786)
Total office equipment	**16,060**	7,539
Computer equipment		
- At cost	**66,467**	24,593
- Accumulated depreciation	**(18,032)**	(6,511)
Total computer equipment	**48,435**	18,082
Field equipment		
- At cost	**9,911**	-
- Accumulated depreciation	**(1,054)**	-
Total field equipment	**8,857**	-
Total property, plant and equipment	**343,553**	25,621

Movement in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current period:

	Motor Vehicles	Mobile Accomm.	Office Equipment	Computer Equipment	Field Equipment	Total
Consolidated:						
Balance at the beginning of the year	-	-	7,539	18,082	-	25,621
Acquisitions	121,532	164,296	11,358	42,264	9,911	349,361
Depreciation expense	(8,361)	(7,266)	(2,837)	(11,664)	(1,054)	(31,182)
Disposals	-	-	-	(247)	-	(247)
Carrying amount at the end of the year	113,171	157,030	16,060	48,435	8,857	343,553

11. Subsidiaries

Details of the Company's subsidiaries at are as follows:

Subsidiaries	Principle Activity	Country of Incorporation	Proportion of Ownership 2010 $	2009 $
Alchemy Resources (Murchison) Pty Ltd	Exploration	Australia	100%	100%
Alchemy Resources (Three Rivers) Pty Ltd	Exploration	Australia	100%	100%
Goldtribe Corporation Pty Ltd	Exploration	Australia	100%	-

Alchemy Resources Limited is the head entity with the tax-consolidated group to which all controlled entities are a partied to.

	Consolidated 2010 $	2009 $
12. Trade and other payables		
Trade creditors and accruals	**813,345**	232,567

Trade creditors are non-interest bearing and are normally settled on 30 day terms

	2010 $	2009 $
13. Provisions		
Current		
Employee benefits	**79,017**	**12,676**
Non-Current		
Employee benefits	**2,815**	**642**

	Consolidated 2010 $	2009 $
14. Interest bearing liabilities		
Current		
Secured		
Lease liabilities	34,837	-
Non-current		
Secured		
Lease liabilities	185,157	-

14. Interest bearing liabilities (continued)

a) Assets pledged as security

Lease liabilities are effectively secured as the rights to the hire purchase asset, recognised in the financial statements revert to the lessor in the event of default.

The carrying amounts of assets pledged as security for current and non-current borrowings are

Hire purchase		
Motor vehicle (Note 10)	67,337	-
Term Deposit (Note 6)	161,000	
Total assets pledged as security	**228,337**	-

b) Fair value

The carrying amounts and fair values of borrowings at balance date.

On-balance Sheet		
Non-traded financial liabilities		
Lease liabilities	219,994	-

None of the classes are readily traded on an organised market in standardised form. Fair value is inclusive of costs which would be incurred on settlement of a liability

c) Interest rate risk exposure

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

Exposures are predominantly from liabilities bearing variable interest rates as the Group intends to hold fixed rate liabilities to maturity.

2010	Fixed Interest rates			
Lease	1 Year or Less	Over 1 Yr to 2 Yrs	Over 2Yr to 3 Yrs	Over 3 Yr to 4 Yrs
Lease liabilities	21,886	15,169	8,475	3,814
	9.37%	9.37%	9.37%	9.50%

2009	Fixed Interest rates			
Lease	1 Year or Less	Over 1 Yr to 2 Yrs	Over 2Yr to 3 Yrs	Over 3 Yr to 4 Yrs
Lease liabilities	-	-	-	-
	-	-	-	-

The consolidated entity has provided financial guarantees in respect of bank guarantee amounting to $43,875, secured by Term Deposit Letter of Set Off over term deposit of the same amount. The bank guarantees are :

- $14,875 to the landlord for the rental bond of the current premises
- $10,000 to the Minister responsible for the mining act 1978 for a performance bond on tenement E51/1044; and
- $19,000 to the Minister responsible for the mining act 1978 for a performance bond on tenement M52/685.

No liability was recognised the consolidated entity in relation to the guarantees, as the fair value of the guarantees is immaterial.

	Consolidated 2010 $	Consolidated 2009 $
15. Issued Capital		
a) Share capital		
Ordinary shares fully paid	**15,208,016**	**5,912,102**

b) Movements in ordinary shares on issue	Consolidated Number	Consolidated $
Balance at 1 July 2008	39,600,000	4,884,269
Issued 31 July 2008 for purchase of tenements from Troy Resources	6,271,462	1,000,000
Issued 31 July 2008 for introduction fee	474,638	52,400
Cost incurred in capital raising	-	(24,567)
Balance at 30 June 2009	**46,346,100**	**5,912,102**
Issued 30 July 2009	6,875,000	1,100,000
Issued 21 September 2009	7,000,000	1,400,000
Issued 31 March 2010	7,692,308	5,000,000
Costs incurred in capital raising	-	(753,115)
Option conversion	8,288,908	2,562,366
Costs incurred in option conversion	-	(13,337)
Balance at 30 June 2010	**76,202,316**	**15,208,016**

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid upon on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

d) Movements in options on issue	Consolidated 2010 Number	Consolidated 2009 Number
Balance at beginning of period	**32,734,000**	15,568,750
Options granted	**4,100,000**	17,165,250
Options converted	**(8,288,908)**	-
Options forfeited	**-**	-
Balance at end of the period	**28,545,092**	32,734,000

	Consolidated 2010 $	Consolidated 2009 $
16. Reserves		
Opening balance	**578,573**	336,737
Loyalty options issued	**-**	151,653
Options issued	**456,484**	90,183
Non-vested options amortisation raising	**518**	-
Options converted	**(490,139)**	-
Closing Balance at 30 June 2010	**545,436**	578,573

The purpose of the reserve is to record share based payment transactions.

17. Accumulated Losses

	2010	2009
Balance at the beginning of the financial year	**(2,422,500)**	(923,592)
Net loss attributable to members	**(1,558,124)**	(1,498,908)
Balance at the end of the financial year	**(3,980,624)**	(2,422,500)

18. Earnings Per Share

	2010	2009
- basic loss per share	**(2.79)**	(3.27)
- diluted loss per share	**(2.79)**	(3.27)

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2010	2009
Losses used in calculating basic and diluted earnings per share	**1,558,124**	1,498,908

	2010 Number	2009 Number
Weighted average number of ordinary shares used in calculating basic and diluted earnings per shares	**64,484,441**	45,773,144

The entity's options over ordinary shares could potentially dilute basic earnings per share in the future, however, they have been excluded from the calculation of diluted earnings per share because they are anti-dilutive for the either of the years presented.

	Consolidated 2010 $	Consolidated 2009 $
19. Auditor's Remuneration		
Amounts received or due and received		
An audit or review of the financial report of the consolidated entity - PKF Chartered Accountants	**10,510**	27,937
An audit or review of the financial report of the consolidated entity – Deloitte Touche Tohmatsu	**18,366**	-
Taxation advice – PKF Chartered Accountants	**13,671**	21,700
Total remuneration	**42,547**	49,637

20. Contingent Assets and Liabilities

The Group had contingent liabilities at 30 June 2010 in respect of :

Credit Cards
Business card facilities held with a limit of $50,000. As at 30 June 2010, nil (2009:$7,896) was advanced, $50,000 (2009:$12,104) was not drawn upon.

Guarantees
For information about guarantees given by the Group and the parent entity, please refer to note 14.

Future success and royalty payments
On 31 July 2008, Alchemy Resources, pursuant to the sales agreement with, Troy Resources NL agreed

- contingent future payments of reserve payment of $690,000 upon Alchemy Resources Limited either making an announcement that is has delineated gold reserves of not less than 50,000 ounces on the mining tenements or the lodgement of notice of intent to mine, whichever is earlier;
- royalty of 1% NSR (net smelter return) Royalty to be paid after production exceeds 50,000 ounces up to production of 70,000 ounces; and
- iron ore royalty of $0.75 per tonne of iron ore produced.

There are no other material contingent assets or liabilities as at 30 June 2010.

21. Subsequent Events

From the period 1 July 2010 – 31 August 2010, 20,448,575 options were converted for $5,118,143.75.

On 6 September 2010, a further 796,517 options for $199,129 were converted by underwriter Bell Potter Securities.

There have been no other events subsequent to balance date which are sufficiently material to warrant disclosure.

22. Commitments

In order to maintain an interest in the exploration tenements in which the Company is involved, the Company is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Company are subject to the minimum expenditure commitments required as per the Mining Act, as amended, and may vary significantly from the forecast based upon the results of the work performed which will determine the prospectivity of the relevant area of interest. Currently, the minimum expenditure commitments for the granted tenements are $1,090,980 (2009:$1,005,980) per annum.

Commitment of $45,687 for lease of current premises expires 25 May 2011.

Commitments in relation lease of premises are payable as follows:

	Consolidated	
	2010	**2009**
	$	**$**
Within 1 Year	**45,687**	**39,090**
Later than one year but not later than five Years	**-**	**43,500**
Later than five years	**-**	**-**
	45,867	**82,590**

22. Commitments (continued)

Commitments in relation to lease liabilities are payable as follows

	Consolidated 2010 $	2009 $
Within 1 Year	**57,001**	**-**
Later than one year but not later than five years	**213,987**	**-**
Later than five years	**-**	**-**
Less: Unexpired hire purchase charges	**50,994**	**-**
Recognised as a liability	**219,994**	**-**
Representing hire purchase liabilities:		
Current	**34,837**	**-**
Non-Current	**185,157**	**-**
	219,994	**-**

23. Financial Risk Management Objectives and Policies

Financial Risk Management

Overview

The Group have exposure to the following risks from their use of financial instruments:

- Interest rate risk
- Credit risk
- Liquidity risk
- Commodity risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities.

The Group Audit Committee oversees how management monitors compliance with the Company's and Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company and Group.

The Group's principal financial instruments are cash, short-term deposits, receivables and payables.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument of cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the Group uses.

Interest bearing assets comprise cash and cash equivalents which are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and therefore not incur interest on overdue balances.

23. Financial Risk Management Objectives and Policies (continued)

The following table set out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Consolidated – 2010	Floating interest rate	Fixed interest rate maturing in 1 Year or less	Over 1 to 5 years	More than 5 years	Non interest bearing	Total
	$	$	$	$	$	$
Financial Assets						
Cash and cash equivalents	1,253,788	4,206,516	-	-	367,513	5,827,817
Trade and other receivables	-	-	-	-	303,752	303,752
	1,253,788	4,206,516	-	-	671,265	6,131,569
Weighted average interest rate	3.57%	5.36%	-	-		
Financial Liabilities						
Trade and other payables	-	-	-	-	813,345	813,345
Interest bearing liabilities	-	34,837	185,157	-	-	219,994
	-	34,837	185,157	-	813,345	1,033,339
Weighted average interest rate	-	9.37%	9.39%	-		

Consolidated – 2009	Floating interest rate	Fixed interest rate maturing in 1 Year or less	Over 1 to 5 years	More than 5 years	Non interest bearing	Total
	$	$	$	$	$	$
Financial Assets						
Cash and cash equivalents	1,362,865	34,175	-	-	-	1,397,040
Trade and other receivables	-	-	-	-	329,609	329,609
	1,362,865	34,175	-	-	329,609	1,726,649
Weighted average interest rate	4.64%	4.61%	-	-		
Financial Liabilities						
Trade and other payables	-	-	-	-	232,567	232,567
Interest bearing liabilities	-	-	-	-	-	-
	-	-	-	-	232,567	232,567
Weighted average interest rate	-	-	-	-		

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown in the following.

23. Financial Risk Management Objectives and Policies (continued)

Consolidated - 2009	Carrying value at period end	Profit or loss 100 bp increase	Profit or loss 100 bp decrease	Equity 100 bp increase	Equity 100 bp decrease
	$	$	$	$	$
Financial Assets					
Cash and cash equivalents	5,827,817	39,911	(39,911)	39,911	(39,911)
Cash flow sensitivity (net)		39,911	(39,911)	39,911	(39,911)

Consolidated - 2009	Carrying value at period end	Profit or loss 100 bp increase	Profit or loss 100 bp decrease	Equity 100 bp increase	Equity 100 bp decrease
	$	$	$	$	$
Financial Assets					
Cash and cash equivalents	1,397,040	26,242	(26,242)	26,242	(26,242)
Cash flow sensitivity (net)		26,242	(26,242)	26,242	(26,242)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. The Group trades only with recognised, creditworthy third parties. It is the Group policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to credit risk is the carry value of the receivable, net of any provision for doubtful debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. This risk is minimised by reviewing term deposit accounts from time to time with approved banks of a sufficient credit rating which is AA and above. The Company does not place funds on terms longer than 30 days and has the facility to place the deposit funds with more than one bank.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated 2010	Consolidated 2009
	$	$
Cash and cash equivalents	**5,827,817**	1,397,040
Trade & other receivables	**303,752**	329,609
	6,131,569	1,726,649

Foreign currency risk

The Group's exposure to foreign currency risk is minimal at this stage of the operations.

Commodity price risk

The Group's exposure to price risk is minimal at this state of the operations.

23. Financial Risk Management Objectives and Policies (continued)

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility. The following are the contractual maturities of financial liabilities:

Consolidated - 2010	Carrying amount $	Contractual cash flows $	6 months or less $
Trade and other payables	813,345	-	813,345
Interest bearing liabilities	219,994	219,994	17,419
	1,033,339	**219,994**	**830,734**
Receivables	303,752	303,752	303,752
	303,752	**303,752**	**303,752**

Consolidated - 2009	Carrying amount $	Contractual cash flows $	6 months or less $
Trade and other payables	232,567	-	232,567
Interest bearing liabilities	-	-	-
	232,567	**-**	**232,567**
Receivables	329,609	329,609	329,609
	329,629	**329,629**	**329,629**

Fair Value of Financial Assets and Liabilities
The fair value of cash and cash equivalents and non-interest bearing financial assets and financial liabilities of the Group is equal to their carrying value.

Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Group's capital is performed by the Board.

The capital structure of the Group consists of net debt (trade payables and provisions detailed in notes 12, 13, & 14 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, offset by accumulated losses detailed in notes 15, 16 & 17)

The Group is not subject to any externally imposed capital requirements. The management of the Group's capital is performed by the Board. To date the Board has ensured that sufficient funds are available to meet its projected 18 months commitments. None of the Group's entities are subject to externally imposed capital requirements.

24. Key Management Personnel Disclosures

(a) The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period

Directors
Warwick Davies
Michael Hannington
Robert Downey
John Arbuckle

Executives
Lyndon Hopkins (Project Development Manager) commenced employment 7 September 2010
Kevin Cassidy (Exploration Manager) commenced employment 8 January 2010
Jonathan King (Exploration Manager) (ceased employment 10 August 2008)

(b) Key management personnel compensation

The key management personnel compensation included in employee benefit and director compensation expenses are as follows:

	Consolidated	
	2010	**2009**
	$	**$**
Short-term employee benefits	**834,813**	408,688
Post employment benefits	**40,669**	21,137
Equity compensation benefits	**51,069**	26,183
	926,550	456,008

Of the $926,550 (2009:$456,008) incurred as key management personnel remuneration, $216,400 (2009:$111,773) of short-term employee benefits and $21,229 (2009:$10,606) post employment benefits were capitalised.

(c) Individual directors and executives compensation disclosures

Apart from details disclosed in this note, no director has entered into a material contract with the consolidated entity since the end of the previous financial year and there was no material contracts involving directors' interests existing at year end.

(d) Other key management personnel transactions with the Company

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions on an arms-length basis.

24. Key Management Personnel Disclosures (continued)

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

	Consolidated 2010 $	Consolidated 2009 $
Warwick Davies (i)	**44,998**	42,996
Robert Downey (ii), (iii)	**337,851**	185,957
John Arbuckle (iii), (iv)	**238,910**	185,957

(i) Mr Davies' services as a director were provided by Fairstone Holdings Pty Ltd for which the Company was charged $44,998 (2009:$42,996). During 2009 Fairstone Holdings Pty Ltd was also paid consulting fees of $5,348 for services rendered by Mr Davies outside his duties as a director.

(ii) For the period from 1 January 2010, Mr Downey's services as a director were provided by Quantum Vis Pty Ltd for which the Company was charged $20,000 (2009:$19,758). Quantum Vis Pty Ltd was also paid consulting fees of $185,942 for services rendered by Mr Downey outside his duties as a director.

(iii) DNA Capital Pty Ltd to which Messrs Arbuckle and Downey are directors

- charged the Company $106,910 (2009:$68,885) for the provision of administrative and office services, provided on normal commercial terms and conditions;
- provided the services of Messrs Arbuckle and Downey as directors of the Company, and received a combined $25,000 (2009:$24,999).

(iv) For the period from 1 January 2010, Mr Arbuckle's services as a director were provided by Maybach Consulting Pty Ltd for which the Company was charged $20,000 (2009:$19,758). Maybach Consulting Pty Ltd was also paid company secretary fees of $77,400 and consulting fees of $9,600 for services rendered by Mr Arbuckle for services outside his duties as a director.

24. Key Management Personnel Disclosures (continued)

(e) Options and Rights Holdings

2010	**Balance 1 July 2009**	**Granted as Remuneration**	**Options Exercised**	**Net Change Other**	**Balance 30 June 2010**	**Vested but not exercisable**	**Vested and exercisable**	**Vested during the year**
Direct Interest								
Directors								
M Hannington	3,155,000	-	-	(155,000)	3,000,000	-	3,000,000	1,000,000
W Davies	1,554,750	-	-	-	1,554,750	-	1,554,750	-
R Downey	750,000	-	-	-	750,000	-	750,000	-
J Arbuckle	750,000	-	-	-	750,000	-	750,000	-
Executives								
L Hopkins	-	400,000	-	-	400,000	-	-	-
K Cassidy	-	500,000	-	-	500,000	-	-	-
	6,209,750	900,000	-	(155,000)	6,954,750	-	6,054,750	1,000,000
Indirect Interest								
Directors								
M Hannington	1,225,971	-	-	-	1,225,971	-	1,225,971	-
W Davies	10,000	-	-	-	10,000	-	10,000	-
R Downey	4,264,000	-	-	-	4,264,000	-	4,264,000	-
J Arbuckle	4,586,500	-	-	-	4,586,500	-	4,586,500	-
	10,086,471	-	-	-	10,086,471	-	10,086,471	-

: change other refers to options held by:

- Mr Hannington’s were converted to shares.

24. Key Management Personnel Disclosures (continued)

(e) Options and Rights Holdings

2009	**Balance 1 July 2008**	**Granted as Remuneration**	**Options Exercised**	**Net Change Other**	**Balance 30 June 2009**	**Vested but not exercisable**	**Vested and exercisable**	**Vested during the year**
Direct Interest								
Directors								
M Hannington	3,000,000	-	-	155,000	3,155,000	2,000,000	155,000	1,155,000
W Davies	1,365,500	-	-	198,250	1,554,750	1,356,500	198,250	-
R Downey	750,000	-	-	-	750,000	750,000	-	-
J Arbuckle	750,000	-	-	-	750,000	750,000	-	-
Executives								
J King	868,000	-	-	(868,000)	-	-	868,000	-
	6,563,000	-	-	(514,750)	6,209,750	4,856,500	1,221,250	1,155,000
Indirect Interest								
Directors								
M Hannington	150,000	-		1,075,971	1,225,971	-	1,225,971	1,075,971
W Davies	-	-		10,000	10,000	-	10,000	10,000
R Downey	1,816,000	-	-	2,448,000	4,264,000	1,816,000	-	2,448,000
J Arbuckle	1,816,000	-	-	2,770,500	4,586,500	1,816,000	-	2,770,500
	3,782,000	-	-	6,304,471	10,086,471	3,632,000	1,235,971	6,304,471

: change other refers to options held by:

- Mr King ceased to be employed on 10 August 2008; and
- Messrs Hannington, Downey, Davies and Arbuckle arose from a loyalty placement on 16 July 2009

24. Key Management Personnel Disclosures (continued)
(f) Shareholdings

2010	Balance 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2010
Direct Interest					
Directors					
M Hannington	447,661	-	155,000	-	602,661
W Davies	396,500	-	-	-	396,500
Indirect Interest					
Directors					
M Hannington	335,000	-	-	-	335,000
W Davies	20,000	-	-	-	20,000
R Downey	4,896,000	-	-	-	4,896,000
J Arbuckle	5,576,000	-	-	-	5,576,000

2009	Balance 1 July 2008	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 June 2009
Direct Interest					
Directors					
M Hannington	310,000	-	-	137,661	447,661
W Davies	396,500	-	-	-	396,500
Executives					
J King	118,000	-	-	(118,000)	-
Indirect Interest					
Directors					
M Hannington	241,000	-	-	94,000	335,000
W Davies	20,000	-	-	-	20,000
R Downey	4,896,000	-	-	-	4,896,000
J Arbuckle	5,541,000	-	-	35,000	5,576,000

Net change other refers to shares held by:

- Mr King, were cancelled when he ceased being an employee on 10 August 2008.

25. Share Based Payment

Share option plan

Share based payments are provided to directors, consultants and other advisors.

The issue to each individual director, consultant or advisor is controlled by the Board and the ASX Listing Rules. Terms and conditions of the payments, including the grant date, vesting date, exercise price and expiry date are determined by the Board, subject to shareholder approval where required

Each employee share option converts into one ordinary share of Alchemy Resources Limited on exercise. No amounts are paid or are payable by the recipient on receipt of the option. The options carry neither rights of dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

On the 14 September 2009, as payment for raising capital, Jeffrey Player was issued 3,000,000 options (issue 6) exercisable on or before 30 September 2012.

25. Share Based Payment (continued)

The following share-based payments arrangements were in existence during the current and prior reporting periods:

Issue	Grant Date	Expiry Date	Fair value per option	Exercise Price	Vesting Date
1	1 August 2007	30 June 2011	$0.044	$0.25	1 July 2007
2	1 August 2007	30 June 2012	$0.041	$0.37	1 July 2008
3	1 August 2007	1 June 2013	$0.050	$0.50	1 July 2009
4a	10 July 2010	30 June 2012	$0.061	$0.37	31 March 2010
4b	10 July 2010	30 June 2012	$0.061	$0.37	31 March 2011
5a	10 July 2010	30 June 2013	$0.066	$0.50	31 March 2010
5b	10 July 2010	30 June 2013	$0.066	$0.50	31 March 2011
6	14 September 2010	30 September 2012	$0.132	$0.25	14 September 2010
7a	5 February 2010	31 March 2012	$0.185	$1.30	5 February 2011
7b	5 February 2010	31 March 2012	$0.185	$1.30	5 February 2012
8a	5 February 2010	31 March 2013	$0.192	$2.10	5 February 2011
8b	5 February 2010	31 March 2013	$0.192	$2.10	5 February 2012

Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is $0.40 (2009:nil).

Options were priced using a binomial option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over the past 12 months
.

Inputs into the Model	**Issue 4**	**Issue 5**	**Issue 6**	**Issue 7**	**Issue 8**
Grant date share price	0.17	0.17	0.35	0.64	0.64
Exercise price	$0.37	$0.50	$0.25	$1.30	$2.10
Expected volatility	85%	85%	85%	85%	85%
Option life	2 years	3 years	2 years	2 years	3 years
Dividend yield	-	-	-	-	-
Risk-free interest rate	5.14%	5.14%	5.14%	4.80%	5.07%

Share options exercised during the year

No share-based payment options were exercised during 2010 financial year.

25. Share Based Payment (continued)

Share options exercised during the year

The following share-based payment options to directors, consultants and advisors were exercised during year:

Issue	No. Exercised	Exercised Date	Share prices at Exercise Price
6	1,000,000	28 September 2009	$0.79
1	750,000	6 November 2009	$0.92
1	1,000,000	14 December 2009	$0.64
6	500,000	20 April 2010	$0.67
6	750,000	6 May 2010	$0.54

Movements in shares options during the period

Movement in number of share options held by directors, consultants and advisors:

	2010		2009	
	No. of options	**Weighted average exercise price**	**No. of options**	**Weighted average exercise price**
Outstanding at the beginning of the period	**7,250,000**	$0.30	**7,250,000**	$0.30
Granted during the year	**4,100,000**	$0.58	**-**	
Forfeited during the year	**-**		**-**	
Exercised during the year	**(4,000,000)**	$0.25	**-**	
Expired during the year	**-**		**-**	
Adjustment due to share split	**-**		**-**	
Outstanding at the end of the period	**7,350,000**	$0.48	**7,250,000**	$0.30
Exercisable at the end of the period	**6,350,000**	$0.31	**6,250,000**	$0.25

Share options outstanding at the end of the year

Share options issued and outstanding at the end of the year have the following exercise prices:

Expiry Date	Exercise price	2010 No.	2009 No.
30 June 2010	0.25	**-**	**2,000,000**
30 June 2011	0.25	**3,500,000**	**5,250,000**
5 February 2012	1.30	**450,000**	**-**
30 June 2012	0.37	**1,100,000**	**1,000,000**
30 September 20112	0.25	**750,000**	**-**
5 February 2013	2.10	**450,000**	**-**
30 June 2013	0.50	**1,100,000**	**1,000,000**

Expenses reflected in the Income Statement are as follows

	2010 $	2009 $
Share options granted in 2009 – equity settled	**61,002**	90,183

26. Reconciliation of Cash Flows from Operating Activities

	Consolidated 2010	2009 $
Cash flows from operating activities		
Loss for the period	**(1,558,124)**	(1,498,908)
Non-cash flows in profit/(loss):		
- Depreciation	**31,182**	10,304
- Loss on sale of assets	**247**	15,355
- Share based remuneration	**61,002**	90,183
- Exploration expenditure write-off	**-**	176,362
Changes in assets and liabilities		
- Decrease/(increase) in trade receivables	**25,857**	(139,423)
- Decrease/(increase) in prepayments	**(10,624)**	-
- Increase/(decrease) in trade creditors and accrual	**580,778**	49,722
- Increase/(decrease) in provisions	**68,514**	1,224
Net cash used in operating activities	**(801,168)**	(1,295,181)

The consolidated entity acquired $219,984 of motor vehicles and donga residence under finance lease.

27. Joint Ventures

The Company has an interest in the following joint venture:

Project	Activities	Equity Interest 2010 %	2009 %	Carrying Value 2010 $	2009 $
Murchison Project JV	Gold Exploration	80	80	**699,557**	722,643

The Company's aggregate interests in the assets and liabilities of this joint venture are reflected in the following asset and liability categories in the financial statements. The contingent liabilities and commitments in respect thereto are referred to in notes 19 and 22 respectively

	Carrying Value 2010 $	2009 $
Non-Current Assets		
Exploration and evaluation	**699,557**	722,643
Share of net assets employed in joint ventures	**699,557**	722,643

28. Business Combinations

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, P52/1321, P52/1322, P52/1323. These applications have all subsequently been granted.

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

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

	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

29. Related Party Disclosure

The consolidated entity has the following investments in subsidiaries:

	Class	Country of Incorporation	Investment At Cost 2010 $	Investment At Cost 2009 $
Parent Entity				
Alchemy Resources Limited	Ord	Australia	-	-
Controlled Entity				
Alchemy Resources (Murchison) Pty Ltd	Ord	Australia	100	100
Alchemy Resources (Three Rivers) Pty Ltd	Ord	Australia	100	100
Goldtribe Corporation Pty Ltd	Ord	Australia	1	-

On 16 March 2007, Alchemy Resources (Murchison) Pty Ltd was incorporated. At incorporation Alchemy Resources Limited was allotted 100% of the issued capital being 100 shares at $1.00 each.

On 27 May 2008, Alchemy Resources (Three Rivers) Pty Ltd was incorporated. At incorporation Alchemy Resources Limited was allotted 100% of the issued capital being 100 shares at $1.00 each.

On 13 July 2009, Alchemy Resources Limited purchased Goldtribe Corporation Pty Ltd and was allotted 100% of the issued capital being 1 share at $1.00.

30. Parent Entity Disclosure
Financial Position

	2010 $	2009 $
ASSETS		
Current Assets		
Cash and cash equivalents	**5,780,043**	1,342,789
Trade and other receivables	**96,280**	281,759
Other current assets	**14,392**	4,122
Total Current Assets	**5,890,715**	1,628,670
Non-Current Assets		
Exploration and evaluation	**-**	-
Property, plant and equipment	**343,553**	25,621
Financial asset	**2,287**	200
Total Non-Current Assets	**345,840**	25,821
TOTAL ASSETS	**6,236,555**	1,654,491
LIABILITIES		
Current Liabilities		
Trade and other payables	**313,768**	172,873
Provisions	**79,017**	12,676
Interest bearing liabilities	**34,837**	-
Total Current Liabilities	**427,622**	185,549
Non-Current Liabilities		
Provisions	**2,815**	642
Interest bearing liabilities	**185,157**	-
Total Non-Current Liabilities	**187,972**	642
TOTAL LIABILITIES	**615,594**	186,191
NET ASSETS	**5,620,961**	1,468,300
EQUITY		
Issued capital	**15,208,016**	5,912,102
Reserves	**545,436**	578,573
Accumulated losses	**(10,132,491)**	(5,022,375)
TOTAL EQUITY	**5,620,961**	1,468,300

30. Parent Disclosure (continued)

Financial Performance

	Consolidated 2010 $	2009 $
Profit for the year	**(5,110,116)**	(3,329,292)
Other comprehensive income	-	-
Total comprehensive loss	**(5,110,116)**	(3,329,292)

Contingent assets/liabilities of the parent entity
Refer to Note 20.

Commitments of the parent entity
Refer to Note 22.

Directors' Declaration

The directors of Alchemy Resources Limited declare that:

(a) in the directors' opinion the financial statements and notes and the Remuneration report in the Directors Report set out on pages 12 to 14, are in accordance with the Corporations Act 2001, including :

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2010 and of their performance, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2; and

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the directors.

Warwick Davies
Chairman

Perth, Western Australia
29 September 2010

Deloitte.

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Independent Auditor's Report to the Directors of Alchemy Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Alchemy Resources Limited, which comprises the statement of financial position as at 30 June 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 71.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 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 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. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

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

In our opinion:

(a) the financial report of Alchemy Resources Limited is in accordance with the Corporations *Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 14 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Alchemy Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Smith
Partner
Chartered Accountants
Perth, 29 September 2010

Shareholders Information

As at 21 September 2010

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 21 September 2009.

1. Distribution of Equity Securities

Analysis of number of equity security holders by size of holding:

	Shares
1 - 1,000	87
1,001 - 5,000	290
5,001 - 10,000	308
10,001 - 100,000	711
100,001 and over	134
Total	1,530

The number of holders of less than a marketable parcel of ordinary fully paid shares is 492.

2. Substantial Shareholders

Substantial shareholders (ie. shareholders who hold 5% or more of the issued capital):

	Number of Shares	Percentage Held
Jindalee Resources Limited	9,800,000	10.06
Canaccord Capital (Australia) Pty Ltd	5,493,500	5.64

3. Voting Rights

(a) Ordinary Shares

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative of attorney will have one vote on a show of hands and on a poll, one vote for each share held.

(b) Options

No voting rights

4. Quoted Securities on Issue

The number of quoted shares and options issued by the Company are set out below:

	Number
Ordinary fully paid shares	97,447,408
Options exercisable at $0.25 on or before 31 August 2010	15,165,250

5. On-Market Buy Back

There is no current on-market buy back.

6. Unquoted Equity Securities

	Number on issue	Number of holders
Options exercisable at $0.25 on or before 30 June 2011 (1,000,000 held by Mr M Hannington, 1,000,000 held by Mr W Davies 750,000 held by Mr J Arbuckle and 750,000 held by Mr R Downey)	3,500,000	4
Options exercisable at $0.37 on or before 30 June 2012(1,000,000 held by Mr M Hannington)	1,050,000	2
Options exercisable at $0.50 on or before 30 June 2013 (1,000,000 held by Mr M Hannington)	1,100,000	2
Options exercisable at $0.25 on or before 30 September 2012	750,000	1
Options exercisable at $1.30 on or before 5 February 2012(250,000 held by Mr K Cassidy, 200,000 held by M L Hopkins)	450,000	2
Options exercisable at $2.10 on or before 5 February 2013(250,000 held by Mr K Cassidy, 200,000 held by M L Hopkins)	450,000	2

7. Top 20 Quoted Shareholders

	Number of Shares	Percentage Held
Jindalee Resources Limited	9,800,000	10.06
Canaccord Capital (Australia) Pty Ltd	5,493,500	5.64
Barry Richard	2,701,000	2.77
UBS Wealth Mgnt Australia Nom	2,627,385	2.70
Downey Stella Emily	2,153,250	2.21
Bouta PL	2,020,828	2.07
Bouta PL	1,938,716	1.99
Munyard G J & M A & C M	1,904,000	1.95
Schwarzbach Frances J	1,475,000	1.51
Novus Cap LTD	1,218,750	1.25
Denton PL	1,200,000	1.23
Arbuckle Claire E	1,002,500	1.03
KE & PW Holdings PL	975,000	1.00
Kevin Barry Building SVC	830,000	0.85
Freight Show PL	810,000	0.83
Cunningham P J & C J	768,383	0.79
Worthington Neal John	766,780	0.79
LSAF Holdings PL	762,531	0.78
Davies Warwick	736,500	0.76
Bruk George	710,345	0.73
	39,894,468	40.94

9. Mining Tenements

Location	Tenement Number	Percentage Held
Murchison Project		
Gidgee	E51/1044	80
Wydgee	E20/549	80
Wydgee	E20/610	80
Wydgee	E51/1048	80
Wydgee	E20/702	100
Wydgee	P20/2097	100
Wydgee	P20/2098	100
Wydgee	P20/2099	100
Jefferey Well	E20/507	80
Ninden Hill	E20/536	80
Big Bell North	E20/594	80
Big Bell North	E20/667	100
Big Bell North	E20/748	100
Polelle	E51/1042	80
Polelle	E51/1225	100
Polelle	E51/1226	100
Polelle	E51/1326	100
Polelle	P51/2623	100
Polelle	P51/2632	100
Three Rivers Project		
Three Rivers	E52/2360	100
Three Rivers	E52/2361	100
Three Rivers	E52/2362	100
Three Rivers	L52/116	100
Three Rivers	L52/117	100
Three Rivers	L52/118	100
Three Rivers	M52/685	100
Three Rivers	M52/722	100
Three Rivers	M52/723	100
Three Rivers	M52/737	100
Three Rivers	M52/753	100
Three Rivers	M52/795	100
Three Rivers	M52/796	100
Three Rivers	M52/797	100
Three Rivers	M52/844-I	100
Three Rivers	P52/1327	100
Three Rivers	M52/1049	100
Three Rivers	P52/1314	100
Three Rivers	P52/1315	100
Three Rivers	P52/1316	100
Three Rivers	P52/1317	100
Three Rivers	P52/1318	100
Three Rivers	P52/1319	100
Three Rivers	P52/1320	100
Three Rivers	P52/1321	100
Three Rivers	P52/1322	100
Three Rivers	P52/1323	100
Three Rivers	P52/1327	100
Three Rivers	P52/1365	100

Competent Person 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 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 Project is based on information compiled by Mr Shaun Hackett, who is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of Snowden Mining Industry Consultants Pty Ltd. Mr Hackett 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 Hackett 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 Wilgeena Gold Project 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.