

**ASX
ANNOUNCEMENT**

16 OCTOBER 2012

CODE: ALY

BOARD OF DIRECTORS

Mr Oscar Aamodt
Non-Executive Chairman

Ms Sofia Bianchi
Non-Executive Director

Mr Lindsay Dudfield
Non-Executive Director

Mr Anthony Ho
Non-Executive Director

ISSUED CAPITAL

SHARES 156,852,955

OPTIONS 2,210,000 (Unlisted)

PROJECTS

BRYAH BASIN (80-100%)

MURCHISON (80-100%)

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A focus on exploration

Drilling commences at Bryah Basin

- ***Aircore drilling program testing geochemical and geophysical targets underway***
- ***Multi-element soil, rock-chip and drill spoil anomalies within prospective Narracoota sequence to be tested***
- ***Ground EM surveys testing multiple VTEM and AMT targets continue***

Alchemy Resources Limited (ASX: ALY) is pleased to announce the commencement of aircore drilling at its Bryah Basin Project, located 130 kilometres northeast of Meekatharra, Western Australia (Figure 1).

Alchemy's landholding, covering over 45km of strike length of volcanic and sedimentary rocks in the highly prospective Bryah Basin, is uniquely located along strike and west of Sandfire Resources' high-grade DeGrussa copper-gold deposit and southeast of Horseshoe Metals' Horseshoe Lights copper-gold project.

A 6,000 metre aircore drilling program has commenced to follow up encouraging geochemical and geophysical results identified by the Company (refer ASX announcement dated 27 September 2012). The drilling will target:

- Highly anomalous drill spoil, rock chip and soil samples and coincident VTEM anomalies at west Magnus. A highlight of these results includes end-of-hole sampling from a historic RAB hole that returned 1,710ppm copper, 350ppm zinc, 4.93ppm antimony, 298ppm arsenic, >10% manganese, 743ppm cobalt, 13.45ppm molybdenum and 14.4ppm thallium.
- Anomalous multi-element results returned from an aircore drilling program at the Churchill prospect in the west Magnus area. Four-metre composite samples returned anomalous levels of copper, lead, zinc, gold, silver, cadmium, cerium, cobalt, manganese, molybdenum, antimony and tungsten, including 36 metres at 521ppm copper in MGAC081 and 20 metres at 412ppm copper in MGAC091.
- Multi-element geochemical anomalies in the Fiddler area. Rock-chip sampling of ferruginous and manganiferous horizons and veining within the upper Narracoota volcanic sequence and soil geochemistry returned regionally and locally anomalous levels of copper, lead, zinc, gold, silver, cadmium, manganese, molybdenum, arsenic and antimony.

The multi-element coherent geochemical targets delineated in the Magnus and Fiddler areas to date represent broadly anomalous horizons that may be related to volcanogenic massive sulphide-style base metal mineralising processes.

Reconnaissance drilling will also be undertaken at central Magnus in an area with significant transported cover to improve geological and geochemical characterisation of the prospective Narracoota volcano-sedimentary sequence.

The drilling program has the aim of identifying secondary/oxide copper-gold anomalism within the weathered profile that will allow better delineation of deeper RC drilling targets. Work to date indicates strong base metal and pathfinder depletion in the transported cover and/or upper 10 to 15 metres of strongly weathered rock.

Alchemy holds 100% interest in the drill targets with the exception of one target at west Magnus held in joint-venture with Jackson Minerals Pty Ltd (20%), a subsidiary of Fe Ltd (ASX: FEL).

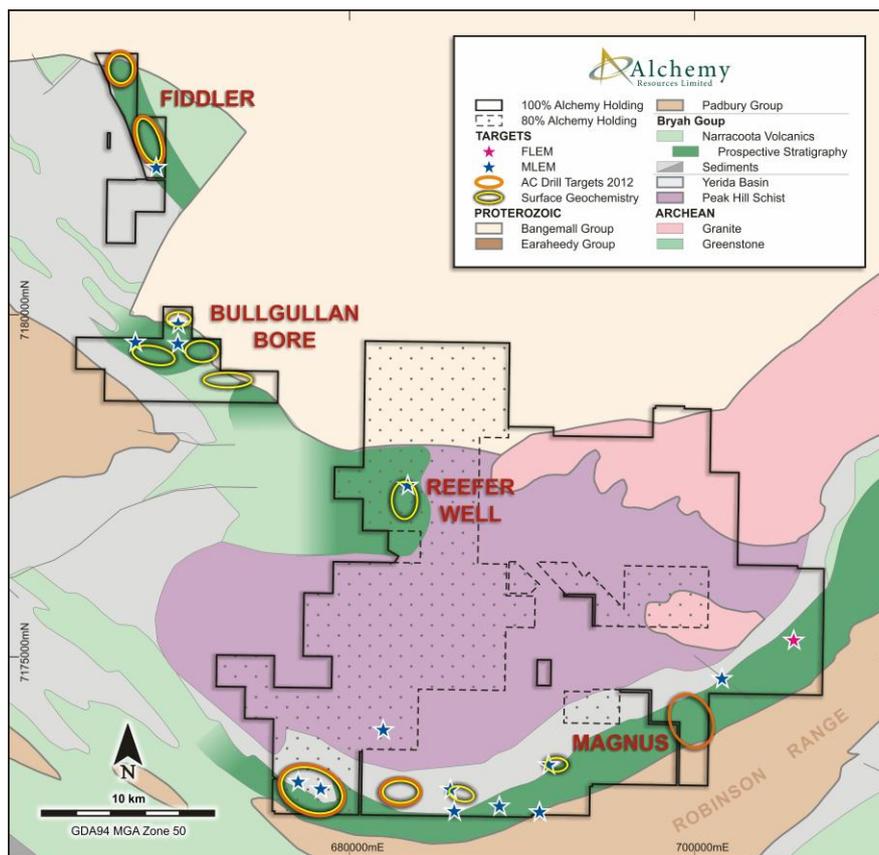


Figure 1. Bryah Basin Project – aircore drilling program targets.

The ground geophysics program consisting of moving-loop and fixed-loop electromagnetic surveys of 15 VTEM and AMT targets commenced last week. The surveys are expected to take three weeks and are being undertaken to further define the orientation and depth of bedrock conductors that will then be the subject of targeted drill testing.

Alchemy remains focussed on unlocking the copper – gold potential of its Bryah Basin Project. The commencement of the aircore drilling program targeting coherent geochemical anomalies as well as the continuing ground EM surveys to follow-up selected geophysical targets represent the start of the next phase of systematic copper – gold exploration of the Bryah Basin. In combination, the results from these programs will be used to define additional targets for further drill testing in the first half of 2013.

