

**ASX
ANNOUNCEMENT**

30 JANUARY 2014

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 975,000 (Unlisted)

PROJECTS

BRYAH BASIN (80-100%)

MURCHISON (80-100%)

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Independence Group agrees to explore and earn an interest in Bryah Basin Project

- ***IGO to earn-in to base metal prospective tenements covering 300 km² of prospective stratigraphy across Bryah Basin Project***
- ***IGO may earn up to an 80% interest in all minerals, excluding iron ore, by sole funding \$6.5M on exploration over 6 years***
- ***Alchemy free-carried to completion of a Pre-Feasibility Study and carried on an interest free deferred basis for a further \$5M of Definitive FS expenditure***
- ***Alchemy retains 100% interest in existing gold resources and will focus on drill testing high-grade gold targets at Seaborg***

Alchemy Resources Limited (ASX: ALY) (“Alchemy” or the “Company”) is pleased to announce that it has signed a Letter Agreement (“Agreement”) with leading Australian base metal and gold producer Independence Group NL (ASX: IGO) (“IGO”) to explore and to earn an interest in the Company’s Bryah Basin Project. The Bryah Basin Project, located 130 km north of Meekatharra, Western Australia (**Figure 1**), is prospective for high grade base metal and gold deposits.

The Agreement covers all commodities excluding iron ore, and relates to whole and part tenements that cover the base metal prospective part of Alchemy’s Bryah Basin Project (**Figure 1**). Alchemy retains the remaining gold prospective Bryah Basin landholding, including existing gold resources and significant exploration upside.

The agreement with IGO will allow base metal exploration of the Bryah Basin Project to be accelerated. IGO intends to apply its proprietary state-of-the-art geophysical tools and renowned in-house geological team to comprehensively evaluate the prospective Narracoota stratigraphy on the farm-in tenements.

Should a high-value base metal discovery be made, Alchemy retains the right to participate as a 20% partner, an equity position that should deliver significant value to shareholders.

The Agreement enables Alchemy to focus its near-term exploration on drill testing high-grade gold targets at the Seaborg and Central Bore West prospects and commence testing historic gold intercepts and gold-in-soil anomalies in the potential strike extensions from these prospects and other high priority targets.

The benefits of the Agreement into the base metal prospective tenements include:

- Alchemy will be joining forces with one of Australia's leading base metal and gold mining companies to rapidly advance the exploration for base metals in the Bryah Basin;
- The transaction represents a significant financial investment by IGO that reduces Alchemy's financial risks to project advancement;
- In the event of a high value base metal discovery, Alchemy has the opportunity to enter a production joint venture with an experienced developer and operator in IGO;
- Alchemy retains 100% interest in the gold prospective part of the Bryah Basin Project adjacent to the earn-in tenements;
- Alchemy will now be able to target high-grade gold at Bryah Basin to supplement gold mineralisation already identified at Hermes and Wilgeena, with the aim of establishing a high-grade gold operation.

The key terms of the Agreement include:

1. Subject to and conditional upon completion of all necessary consents and the execution of certain deeds of assignment as may be required, IGO to spend a minimum of \$500,000 on exploration expenditure (**Initial Expenditure**) over a period of 12 months on the whole and part base metal prospective tenements (**Joint Venture Area**), and has the right to continue exploring the Joint Venture Area after this point, or withdraw with no interest.
2. If IGO elect to continue and enter into a farm-in and joint venture arrangement (the **Joint Venture**), IGO may spend a further \$6,000,000 on the Joint Venture Area (**Earn-in Expenditure**) within 5 years to earn:
 - a. an 80% interest (excluding iron-ore rights) in the Joint Venture Area for the tenements held 100% by Alchemy,
 - b. a 70% interest (excluding iron ore rights) in the Joint Venture Area for four tenements, E52/1668, E52/1678, E52/1722 and E52/1730, whereby IGO would hold 70%, Alchemy 10% and Jackson Minerals Pty Ltd ("**Jackson**") would maintain its 20% interest free-carried to a decision to mine.
3. If the Earn-In Expenditure is not incurred during the period, the agreement will terminate and IGO will retain no interest in the Joint Venture Area.
4. Upon IGO fulfilling the Earn-In Expenditure, Alchemy (and Jackson on tenements where they retain an interest) will be free-carried on further exploration to completion of a Pre-Feasibility Study (**PFS**) within the meaning of the JORC Code 2012, which will include resources defined to at least Indicated Resource status.
5. Following completion of the PFS, IGO will carry Alchemy on an interest free deferred basis to either completion of a Definitive Feasibility Study (**DFS**) within the meaning of the JORC Code 2012 or to expenditure by IGO of a further \$5,000,000 towards the DFS on a 100% basis, whichever occurs sooner (**Deferred Carry Period**).
6. Upon completion of the DFS or the expenditure of the further \$5,000,000 towards the DFS, whichever occurs sooner, Alchemy will then contribute towards expenditure of the Joint Venture in accordance with its interest.

7. Should both parties continue on from the DFS to production, Alchemy agrees to repay to IGO the deferred amount incurred during the Deferred Carry Period. Such payment will comprise an amount equal to 50% of Alchemy's share of profits earned through production.
8. Following the Deferred Carry Period, if either party elects not to contribute to expenditure of the Joint Venture, then industry standard dilution formulas will apply down to a 5% interest.
9. If a party's interest dilutes below 5%, it will revert to a 1% net smelter royalty (**NSR**).
10. If Jackson elect not to contribute to Mining Operations, then Jackson must sell their interest or convert to a \$10 per recovered ounce of gold royalty. If Jackson elect to sell all or only a portion of their interest, then Alchemy and IGO will be entitled to purchase 50% each of the portion being sold.
11. Both Alchemy and IGO have reciprocal rights to gold-dominated and non-gold dominated deposits, respectively, discovered adjacent to the Joint Venture Area boundary with the Non-Joint Venture Area. Should IGO discover a non-gold dominated deposit, its rights to non-gold dominated mineralisation extend onto the Non-Joint Venture Area to a maximum of a two kilometre buffer from the margin of the first-published JORC Code 2012 compliant Mineral Resource. Alchemy has reciprocal rights for gold-dominated deposits discovered adjacent to the Joint Venture Area.
12. Both Alchemy and IGO have a pre-emptive right on the other party's interest in the event that either party wishes to sell, assign or part with any of its rights.

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

"Alchemy is very pleased to have attracted a highly regarded base metal exploration partner in Independence Group for our Bryah Basin Project. Their detailed knowledge of base metal deposits and access to their proprietary geophysical exploration techniques will be a distinct advantage to successfully explore the Bryah Basin for high value base metal deposits.

The Agreement with IGO will allow the Company to focus on exploring for high value gold assets at Bryah Basin."

The Bryah Basin Project currently has Indicated Resources of 300,000 ounces of gold (4.7Mt @ 2.0g/t gold) at Hermes and Wilgeena (*see ASX announcement dated 22 October 2012*), and the immediate area shows the potential of the district to host large gold deposits, with over 600,000 ounces of gold produced from the nearby Peak Hill deposits (**Figure 1**).

A reappraisal of the Bryah Basin Project has established a pipeline of advanced to grass roots gold targets requiring further systematic exploration and targeted drilling campaigns to unlock the broader gold potential of the Project region.

As a result of the advances in understanding of key controls on high-grade mineralisation, multiple, gold targets have been delineated across the Bryah Basin Project, which in addition to the previously identified priority targets at Seaborg and Central Bore (**Figure 1**), will be the primary focus of on-going exploration.

– ENDS –

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

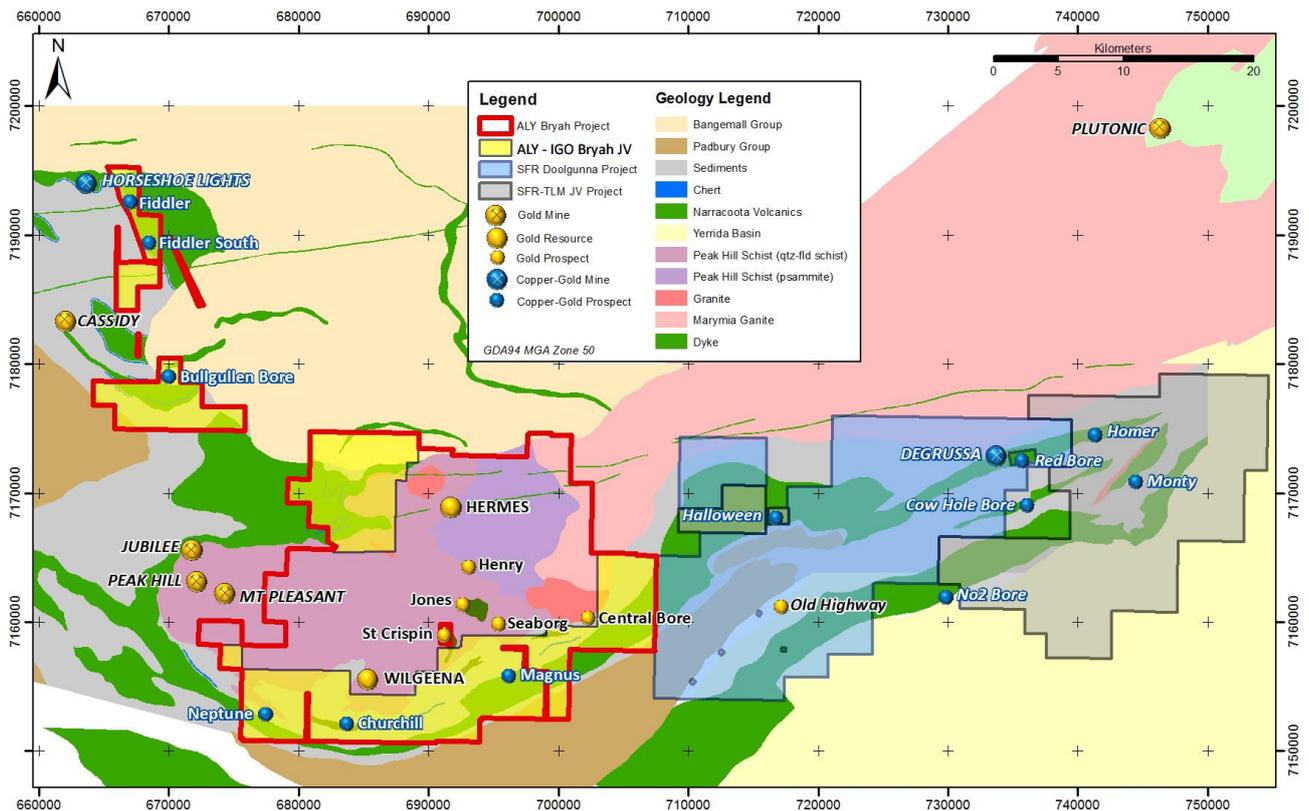


Figure 1: Bryah Basin Project – Joint Venture Area covering the base metal prospective part of Project, and base metal and gold prospects.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Kevin Cassidy, who is a Fellow of the Australian Institute of Geoscientists and is a full-time employee and security holder of Alchemy Resources Limited. Dr Cassidy has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the ‘Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves’. Dr Cassidy consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources at the Hermes Gold Deposit and Wilgeena Gold Deposit is based on information compiled by Mr Simon Coxhell of CoxsRocks Pty Ltd, who is a Member of the Australian Institute of Geoscientists and a Member of the Australasian Institute of Mining and Metallurgy and is a consultant to Alchemy Resources Limited. Mr Coxhell has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the ‘Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves’. Mr Coxhell consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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