



**ABN 17 124 444 122**

**ANNUAL REPORT**

For the year ended 30 June 2018

## Corporate Directory

---

### Directors

Lindsay Dudfield	Non-Executive Chairman
Leigh Ryan	Managing Director
Liza Carpena	Non-Executive Director
Anthony Ho	Non-Executive Director

### Company Secretary

Bernard Crawford

### Registered & Principal Office

Suite 8, 8 Clive Street  
West Perth WA 6005  
Telephone: (08) 9481 4400  
Facsimile: (08) 9481 4404  
Email: [alchemy@alchemyresources.com.au](mailto:alchemy@alchemyresources.com.au)  
Website: [www.alchemyresources.com.au](http://www.alchemyresources.com.au)

### Auditors

BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

### Bankers

National Australia Bank  
226 Main Street  
Osborne Park WA 6017

### Share Registry

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
Telephone: (08) 9315 2333  
Facsimile: (08) 9315 2233

### Securities Exchange Listing

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

ASX Code: **ALY**

## Contents

---

CHAIRMAN'S LETTER .....	2
KEY INVESTMENT HIGHLIGHTS .....	3
REVIEW OF ACTIVITIES .....	4
DIRECTORS' REPORT.....	33
AUDITOR'S INDEPENDENCE DECLARATION .....	45
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	46
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	47
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	48
CONSOLIDATED STATEMENT OF CASH FLOWS .....	49
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	50
DIRECTORS' DECLARATION .....	76
INDEPENDENT AUDITOR'S REPORT.....	77
ADDITIONAL SHAREHOLDER INFORMATION .....	81
TENEMENT SCHEDULE .....	83

## Chairman's Letter

---

Dear Fellow Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Alchemy Resources Limited for the year ended 2018.

The past year has been another positive period for Alchemy with existing gold and base metal projects continuing to advance and the West Lynn project, with potential for nickel, cobalt and high purity alumina, being added to the Company's portfolio. Alchemy now holds five key assets, all located in mining friendly parts of Australia and each with the potential to host "company maker" deposits.

In New South Wales Alchemy increased its already large landholding in the highly mineralised Cobar/Lachlan district with the addition of West Lynn in April 2018. The Company has moved quickly to advance this project with drilling commencing in July and a JORC 2012 compliant resource expected in the December quarter. Elsewhere in NSW access issues at the Overflow prospect have now been resolved and Alchemy expects testing of a strong airborne EM anomaly to commence in the December quarter.

In Western Australia initial broad spaced drilling under transported cover on the eastern side of the Karonie Project (100% Alchemy), directly along strike from Breaker Resources' Bombora discovery (1.1Moz and growing), returned anomalous gold values, confirming that the targeted structure is fertile and capable of hosting significant gold mineralisation. Follow up exploration is planned for the coming year.

In August 2018 Alchemy announced a JORC Code 2012 compliant resource of 87,000oz gold at the Hermes South (Wilgeena) deposit, which forms part of the Bryah Basin Gold Joint Venture where Superior Gold is earning 80%. Drilling undertaken by Superior Gold in the June quarter returned significant gold intercepts, many outside the current resource, underlining the potential for Hermes South to grow and become a source of open pit feed for Superior Gold's Plutonic Mine, 65km to the northeast.

Also in August it was announced that Sandfire Resources NL had assumed Independence Group's position in the Bryah Basin Base Metals Joint Venture. Sandfire owns and operates the nearby DeGrussa and Monty copper-gold mines and will be spending \$3.1M before 29 October 2019 to earn up to 80% in the Joint Venture. Sandfire has extensive knowledge gained from exploring and mining in the district and we are hopeful that a significant discovery will result. It is important to note that Alchemy's interest in both the Bryah Basin Gold and Base Metals Joint Ventures is carried until a discovery is delineated or in production.

Junior explorers are reliant on shareholders and the market for funding until a discovery is made and we are grateful to our shareholders for the response to the recent entitlement offer. Shareholders who took up the offer will be pleased to hear that Alchemy's application to participate in the Junior Minerals Exploration Incentive (JMEI) for FY2019 was successful and that shares issued pursuant to the entitlement offer will qualify for tax credits under the JMEI.

On behalf of the Board I would like to express my appreciation to Leigh Ryan, our Managing Director, and the rest of the Alchemy team for their efforts during the period. And last, but certainly not least, I would like to thank you, our shareholders, for your ongoing support as we continue to build Alchemy and look forward with optimism to the period ahead.



**Lindsay Dudfield**  
**Chairman**  
**Alchemy Resources Limited**  
**Annual Report 2018**

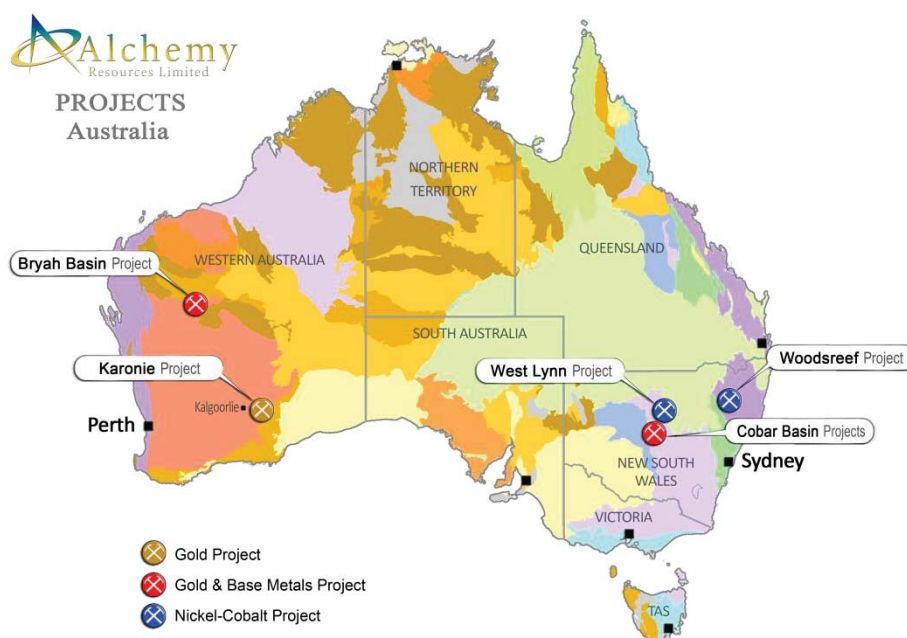
### Key Investment Highlights

- Growth strategy focussed on building a portfolio of quality mineral resources through innovative exploration and strategic acquisition, with the aim of becoming a producer of metals
- West Lynn Project significant Ni-Co-Al resource potential close to rail
- Lachlan/Cobar Basin Projects – high grade base metal and gold intercepts at Overflow
- Karonie Project – drill-ready gold targets close to existing resources and processing infrastructure
- Bryah Basin Project – joint-venture funded exploration for high-grade gold and base metals in emerging metallogenic province
- Experienced Board and management team and good financial position
- Current Enterprise Value of <\$5M; highly leveraged to success
- Strong major shareholder support

## Review of Activities

Alchemy Resources Limited (ASX: ALY; “Alchemy” or “the Company”) is an Australian exploration company focused on growth through the discovery and development of gold, base metal and more recently nickel-cobalt-alumina resources within Australia. The Company has built a significant land package in the Karonie greenstone belt in the Eastern Goldfields region in Western Australia, and has entered into a Farm-In and Joint Venture Agreement with Heron Resources Ltd (ASX: HRR; “Heron”) to earn an 80% interest in the Lachlan/Cobar Basin Projects in New South Wales, a well-endowed metal province with significant upside for gold, silver, copper, lead, zinc, nickel and cobalt mineralisation.

The Company also maintains its interest in the Bryah Basin Project in the emerging gold and base metal-rich Gascoyne region of Western Australia, where farm-in and joint venture partners, Sandfire Resources NL (ASX: SFR; “Sandfire”), and Billabong Gold Pty Ltd (“Billabong”), a subsidiary of TSX-V listed Superior Gold Inc. (TSX-V: SGI), are continuing to advance base metal and gold exploration, respectively (*Figure 1*).



**Figure 1:** Alchemy Resources' Project Location Map.

Since the acquisition of the Karonie and Lachlan/Cobar Basin projects in 2016, Alchemy's exploration focus has been delineating and drill testing high priority targets within both these project areas.

Drilling within the farm-in and joint venture agreement licences in New South Wales has confirmed the potential for substantial, shallow nickel-cobalt and alumina resources at the West Lynn Project with resource drilling now complete prior to resource estimation work and initial metallurgical testwork, whilst drilling of high grade gold and base metal targets at the Overflow Prospect can now proceed following completion of the Native Title Right to Negotiate process.

Exploration at the gold-prospective Karonie Project in the Kurnalpi Greenstone Terrane in the Eastern Goldfields region of Western Australia has included aircore drilling of shallow high-grade gold targets at the Gilmore and Aldiss prospects near the Karonie mine, and RAB drilling at the Manhattan and Dragon prospects on the Claypan Shear Zone. The Karonie Project is in one of Australia's premier gold provinces with significant potential to discover additional gold resources.

## Review of Activities

---

Alchemy's strategy for the next twelve months is to:

- Unlock the gold and base metal potential of highly prospective Karonie and Lachlan/Cobar projects through systematic exploration and targeted drilling campaigns,
- Advance the West Lynn Project to a JORC Code 2012 compliant inferred resource category and undertake initial metallurgical testwork,
- Create value for shareholders through joint venture-funded exploration for gold and base metal deposits within the Bryah Basin Project; and
- Continue to enhance the Company's position through strategic investment decisions and exploration of quality advanced project opportunities.

### **Lachlan/Cobar Basin Projects (NSW)**

*(Alchemy earning up to 80%)*

The Lachlan / Cobar Basin Projects consist of the Overflow Gold-Base Metal Project, the Eurow Copper-Gold Project, the Girilambone Copper Project, and the recently acquired West Lynn and Woodsreef Nickel-Cobalt Projects, each containing multiple gold and/or base metal and/or nickel-cobalt-alumina targets, including drill-ready targets at Overflow, Yellow Mountain, and West Lynn. The projects form part of a Farm-In and Joint Venture Agreement with Heron Resources (ASX: HRR; "Heron"), enabling Alchemy to earn an 80% interest in all eight NSW licences by spending \$1.5M prior to 30 May 2021. The highly prospective West Lynn and Woodsreef projects were added to the Heron Farm-In Agreement for a total consideration of 10 million fully paid ordinary Alchemy shares and 10 million Alchemy unlisted options. The options are exercisable at 5 cents and have a 3 year expiry period<sup>1</sup>.

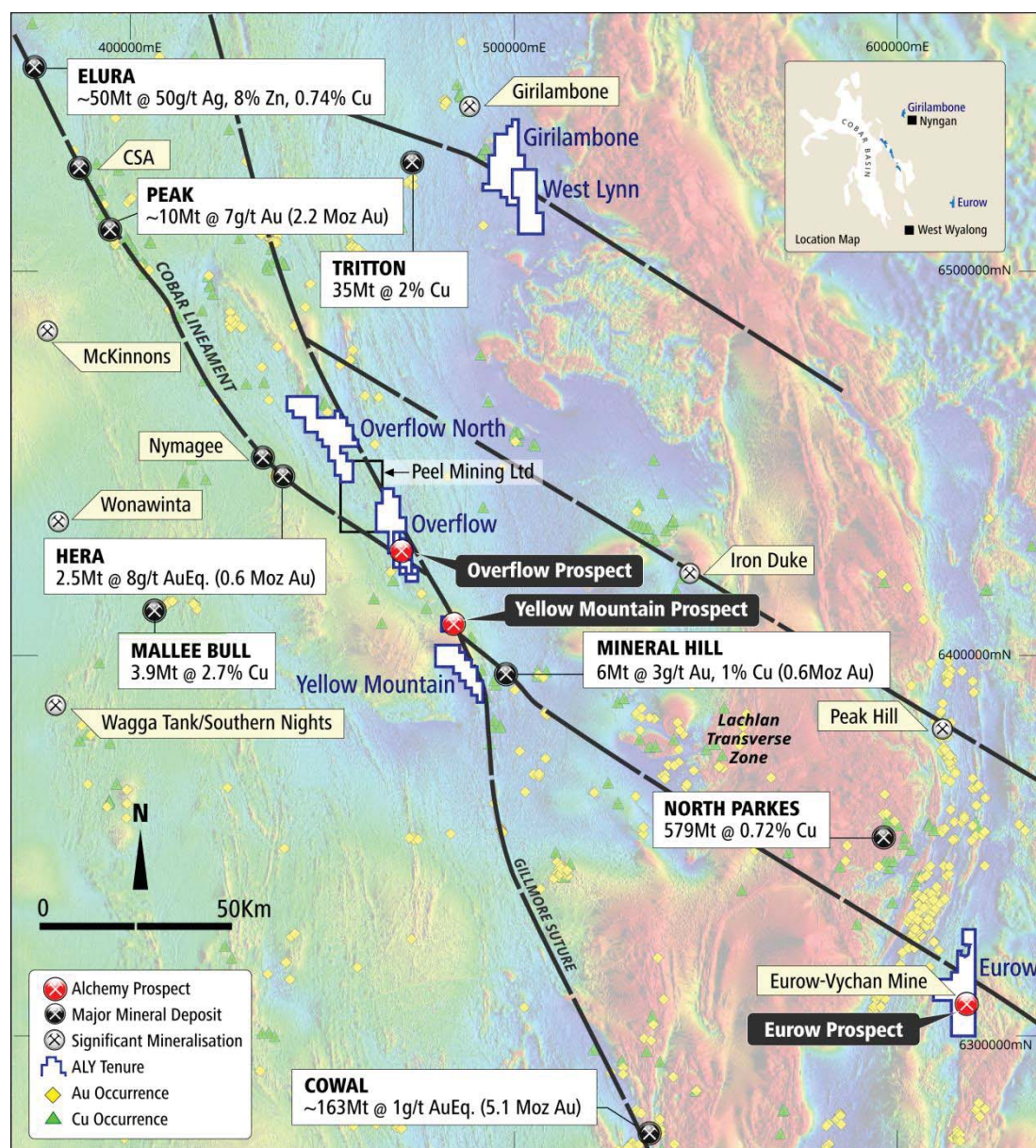
The projects represent a strategic exploration project acquisition for Alchemy, with a large (1055km<sup>2</sup>) land package in the underexplored central Lachlan province and Cobar Superbasin. The projects are proximal to high profile mining centres including Hera/Nymagee, Mallee Bull, Mineral Hill, Tritton and the Parkes mining centre (*Figure 2*).

During the year exploration licences EL7941 (Overflow), EL8356 (Yellow Mountain), EL8318 (Girilambone) and EL8267 (Overflow North) were renewed, with a renewal application submitted for EL5878 (Overflow) pending.

---

<sup>1</sup> Refer to Alchemy Resources Limited ASX announcement dated 13 April 2018





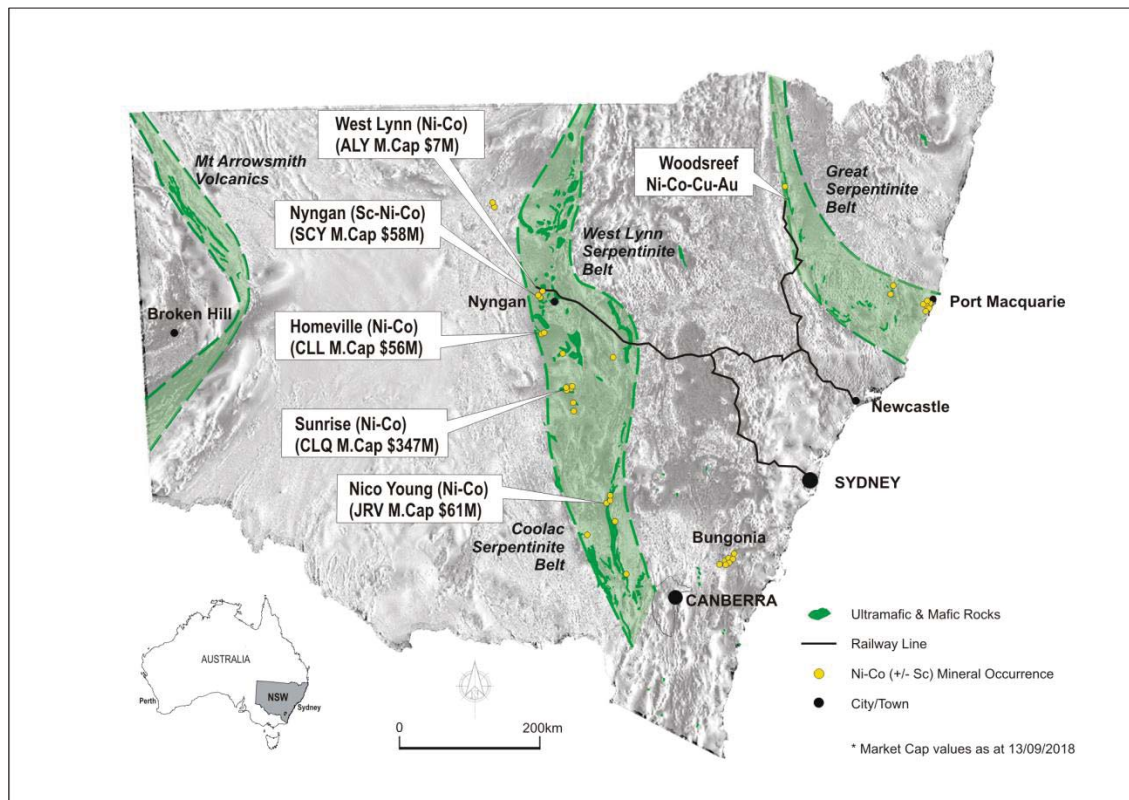
**Figure 2:** Lachlan projects – Overflow, Overflow North, Yellow Mountain, Eurow, Girilambone and West Lynn – Alchemy earning up to 80% interest through farm-in / joint venture with Heron Resources Ltd.

### West Lynn Nickel-Cobalt Project

EL8631 (West Lynn) is centred 17km north-west of Nyngan, NSW. The project, which covers an area of 100km<sup>2</sup>, is contiguous with EL8318 (Girilambone) and forms part of the existing Alchemy / Heron NSW Farm-In and Joint Venture Agreement. The licence is located within a belt of ultramafic/mafic rocks that cut through central NSW, extending from the ACT to the Queensland border and host numerous Ni-Co ( $\pm$ Sc $\pm$ Al) deposits such as Sunrise/Syerston (Clean TeQ Holdings Limited – ASX: **CLQ**), Homeville (Collerina Cobalt Limited - ASX: **CLL**), and the Nyngan Scandium deposit (Scandium International Mining Corp. – TSX: **SCY**) just 11km south-west of West Lynn (Figure 3).



## Review of Activities



**Figure 3:** West Lynn Ni-Co Project, Ni-Co±Sc occurrences, and NSW Serpentine Belts over state-wide greyscale TMI aeromagnetic image

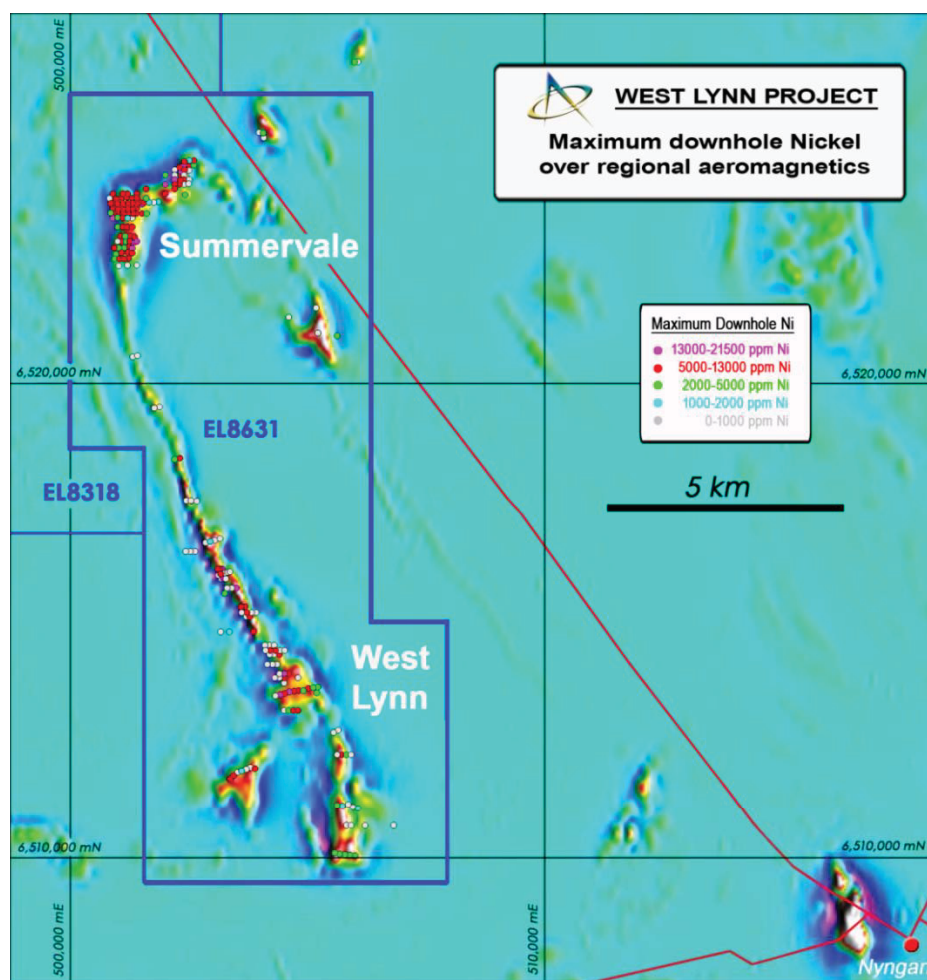
The West Lynn Project includes high grade historic intercepts including; **19m @ 1.21% Ni, 0.10% Co** from 36m (WLRC013), **16m @ 0.98% Ni, 0.07% Co** from 37m (WLRC015), **13m @ 1.41% Ni, 0.08% Co** from 41m (SV44), and **11m @ 1.02% Ni, 0.04% Co** from 27m (SV39)<sup>2</sup>.

Historic drilling data validation and evaluation work completed by Alchemy including a 3D inverse distance weighted block model has given rise to an **Exploration Target of 15→30Mt @ 0.7→0.9% Ni, 0.05→0.07% Co<sup>3</sup>** which equates to 105,000-270,000 tonnes of nickel and 7,500-21,000 tonnes of cobalt. The Exploration Target is based on 105 Aircore and 29 RC drill holes totalling 6,300m at a nominal hole spacing of 100m x 100m (Summervale) and 100m x 350m (West Lynn) and covers both the Summervale and West Lynn prospects (Figure 4). The Exploration Target also takes into consideration an indicated resource for West Lynn announced by Jervois Mining Ltd (ASX: JRV) in 2012 under the JORC Code 2004 Edition<sup>4</sup>.

<sup>2</sup> Refer to Alchemy Resources ASX Announcement dated 13 April 2018

<sup>3</sup> Refer to Alchemy Resources ASX Announcement dated 13 April 2018

<sup>4</sup> Refer to Alchemy Resources ASX Announcement dated 14 March 2018



**Figure 4:** West Lynn Project showing EL8631 outline, and all drilling coloured by maximum downhole Ni (ppm) over TMI aeromagnetic image.

### Analysis of Historic Aircore Drill Sample Pulps

As a result of limited previous Scandium (Sc), Aluminium (Al) and Iron (Fe) analysis being conducted on historic drill samples, 246 laboratory pulp samples from 24 holes drilled at the West Lynn and Summervale prospects by previous explorer Jervois Mining were sourced and analysed for Ni, Co, Sc, Al and Fe. The samples included eight Summervale holes (146 samples) and sixteen West Lynn holes (100 samples). The pulp analysis provided good QAQC (duplicate analysis) on existing Ni, Co, Fe and Al assays and good correlation between original results and pulp resample results (*Table 1*), giving Alchemy a high level of confidence in the analytical accuracy of previous Jervois drill samples. High grade Al intercepts with corresponding low Fe values (not previously analysed) were returned from a pale cream clay zone immediately above the Ni-Co mineralisation at Summervale<sup>5</sup>, including:

- 23m @ 14.3% Al<sub>2</sub>O<sub>3</sub>, 3.0% Fe<sub>2</sub>O<sub>3</sub> from 20m (SV1)
- 17m @ 15.1% Al<sub>2</sub>O<sub>3</sub>, 4.9% Fe<sub>2</sub>O<sub>3</sub> from 19m (SV2)
- 17m @ 14.7% Al<sub>2</sub>O<sub>3</sub>, 2.1% Fe<sub>2</sub>O<sub>3</sub> from 23m (SV4)
- 15m @ 15.7% Al<sub>2</sub>O<sub>3</sub>, 8.9% Fe<sub>2</sub>O<sub>3</sub> from 22m (SV5)
- 15m @ 15.6% Al<sub>2</sub>O<sub>3</sub>, 5.2% Fe<sub>2</sub>O<sub>3</sub> from 15m (SV6)

<sup>5</sup> Refer to Alchemy Resources ASX Announcement dated 30 July 2018

## Review of Activities

Significant Ni-Co intercepts from Summervale and West Lynn confirmed in the pulp analysis included:

- 9m @ 0.72% Ni, 0.04% Co from 40m (SV4)
- 9m @ 0.86% Ni, 0.04% Co from 32m (SV6)
- 14m @ 1.36% Ni, 0.08% Co from 40m (SV44)
- 4m @ 0.59% Ni, 0.09% Co, 11.7% Al<sub>2</sub>O<sub>3</sub> from 32m (Na10)

Scandium results included only 14 samples greater than 50ppm to a maximum of 100ppm Sc.

**Table 1: QAQC summary of original Jervois drill samples analysis vs. recent pulp analysis**

Element	No. Duplicate Samples	Sum Original Assays (SO)	Sum Pulp Assays (SP)	SO-SP/SO*
Ni ppm	125	623,630	601,420	3.6%
Co ppm	158	31,390	32,400	-3.2%
Al <sub>2</sub> O <sub>3</sub> %	20	103.9	104.2	-0.3%
Fe <sub>2</sub> O <sub>3</sub> %	20	561	559	0.3%

\* Negative value = pulp analysis returning an overall higher grade

### Alchemy Resource Drilling

During the year Alchemy completed Phase 1 resource drilling at both Summervale and West Lynn prospects. The drill program, combined with a Phase 2 drilling program, is designed to advance the existing West Lynn Nickel-Cobalt Exploration Target to a JORC Code 2012 compliant inferred resource estimate. Results received from Phase 1 resource drilling confirmed the tenor of nickel (Ni) - cobalt (Co) mineralisation identified in historic drilling conducted by Jervois Mining and Anaconda Nickel Ltd, and identified broad zones of alumina (Al<sub>2</sub>O<sub>3</sub>) immediately above the Ni-Co mineralised zone<sup>6</sup>.

### Summervale Prospect

Thirty six (36) Phase 1 aircore drill holes (SV001 – 036) totalling 1,805m were completed at the Summervale Prospect in order to ultimately achieve a 100m x 100m drill spacing, which Alchemy considers will be sufficient for a JORC Code 2012 compliant inferred resource category. Significant Ni-Co assay results from the Summervale Phase 1 resource drilling included:

- **16m @ 1.22% Ni, 0.09% Co from 38m (SVAC033)**
- **13m @ 0.85% Ni, 0.04% Co from 41m (SVAC004)**
- **9m @ 1.14% Ni, 0.07% Co from 42m (SVAC034)**
- **10m @ 0.83% Ni, 0.05% Co from 23m (SVAC007)**

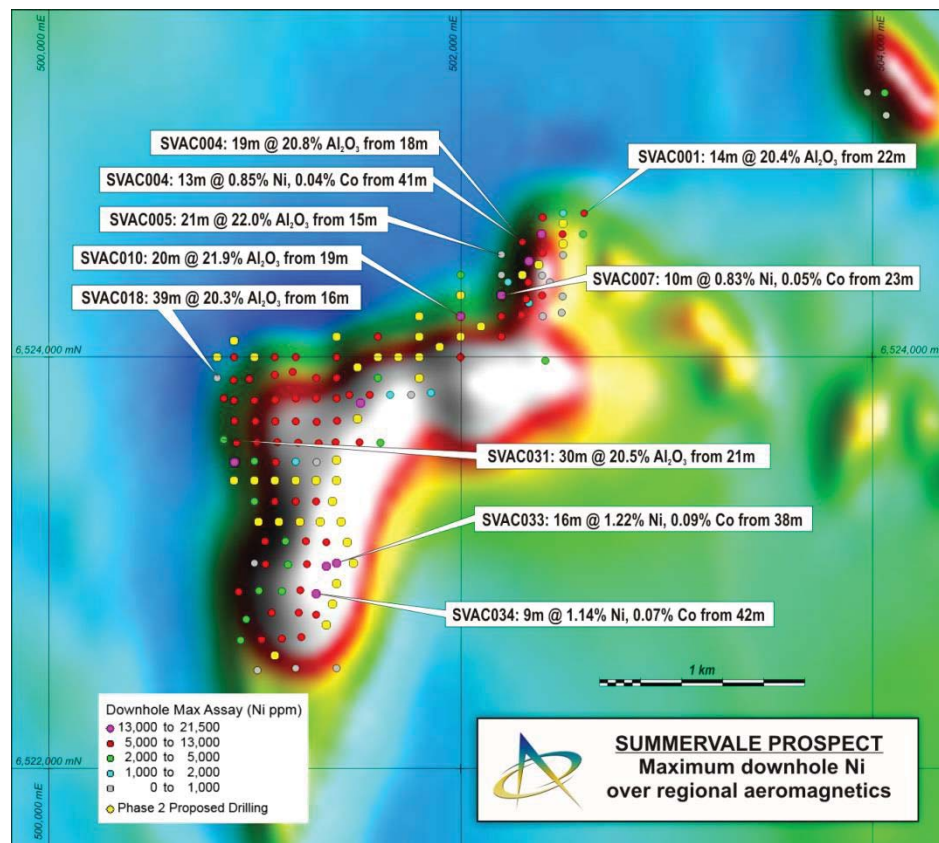
Broad, high grade alumina (Al<sub>2</sub>O<sub>3</sub>) intercepts from the zone immediately above the Ni-Co mineralisation included:

- **39m @ 20.3% Al<sub>2</sub>O<sub>3</sub> from 16m (SVAC018)**
- **30m @ 20.5% Al<sub>2</sub>O<sub>3</sub> from 21m (SVAC031)**
- **21m @ 22.0% Al<sub>2</sub>O<sub>3</sub> from 15m (SVAC005)**
- **20m @ 21.9% Al<sub>2</sub>O<sub>3</sub> from 19m (SVAC010)**
- **15m @ 20.8% Al<sub>2</sub>O<sub>3</sub> from 18m (SVAC004)**
- **14m @ 20.4% Al<sub>2</sub>O<sub>3</sub> from 22m (SVAC001)**

<sup>6</sup> Refer to Alchemy Resources ASX Announcement dated 27 August 2018

## Review of Activities

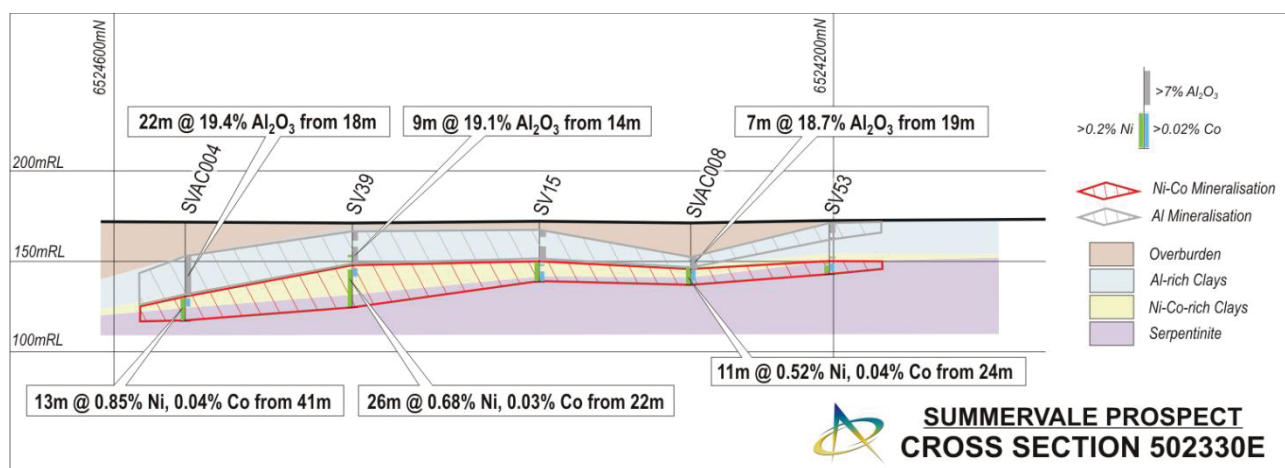
Locations of the significant Ni-Co-Al<sub>2</sub>O<sub>3</sub> intercepts from the Summervale Phase 1 drilling can be seen in Figure 5, and in selected cross sections below (Figures 6 & 7). Ni-Co mineralisation at Summervale is associated with variably limonitic and ferruginous clay, saprolite and weathered serpentinite units. The higher alumina grades are associated with pale cream to white clay units located immediately above the Ni-Co mineralisation. Both Ni-Co and alumina mineralisation at Summervale appear to show good continuity, which is favourable for the planned resource estimation work.



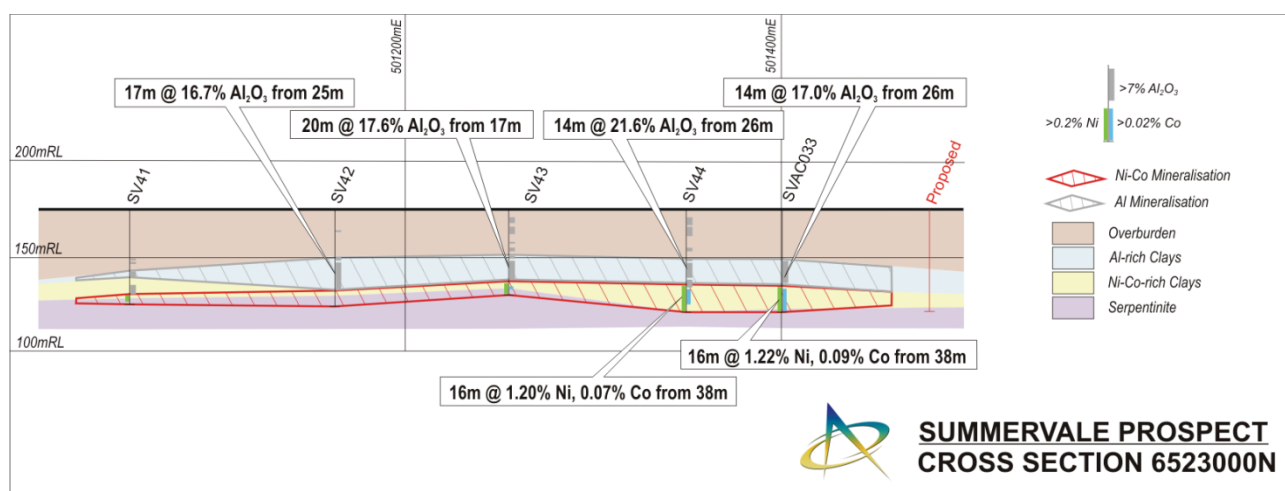
**Figure 5:** Plan of Summervale Prospect showing all drilling (coloured by Ni ppm), Phase 1 significant intercepts (labelled), and proposed Phase 2 resource drilling (yellow dots) over regional aeromagnetic image.



## Review of Activities



**Figure 6:** Summervale Prospect cross section (502330E) showing recent and historic drill holes, mineralised zones, significant intercepts and geology.



**Figure 7:** Summervale Prospect cross section (6523000N) showing recent drill holes, mineralised zones, significant intercepts, proposed Phase 2 drill hole, and geology.

### West Lynn Prospect

Twenty three (23) Phase 1 aircore drill holes (WL001 – 023) totalling 804m were completed at the West Lynn prospect in order to ultimately achieve a 100m x 200m drill spacing, which Alchemy considers will be sufficient for a JORC Code 2012 compliant inferred resource category. Significant Ni-Co assay results from the West Lynn Phase 1 resource drilling included:

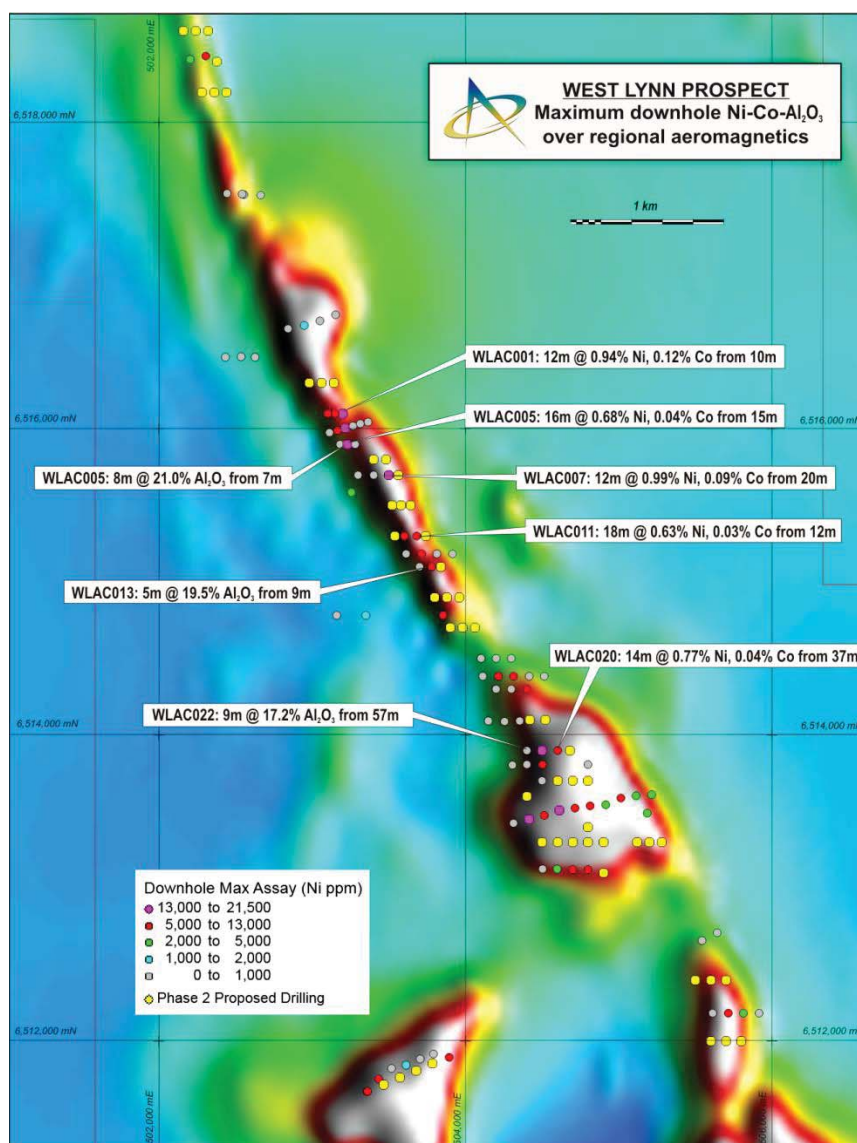
- 12m @ 0.99% Ni, 0.09% Co from 20m (WLAC007)
- 18m @ 0.63% Ni, 0.03% Co from 12m (WLAC011)
- 12m @ 0.94% Ni, 0.12% Co from 10m (WLAC001)
- 16m @ 0.68% Ni, 0.04% Co from 15m (WLAC005)
- 14m @ 0.77% Ni, 0.04% Co from 37m (WLAC020)

## Review of Activities

High grade alumina ( $\text{Al}_2\text{O}_3$ ) intercepts from the zone immediately above the Ni-Co mineralisation included:

- **8m @ 21.0%  $\text{Al}_2\text{O}_3$  from 7m (WLAC005)**
- **5m @ 19.5%  $\text{Al}_2\text{O}_3$  from 9m (WLAC013)**
- **9m @ 17.2%  $\text{Al}_2\text{O}_3$  from 57m (WLAC022)**

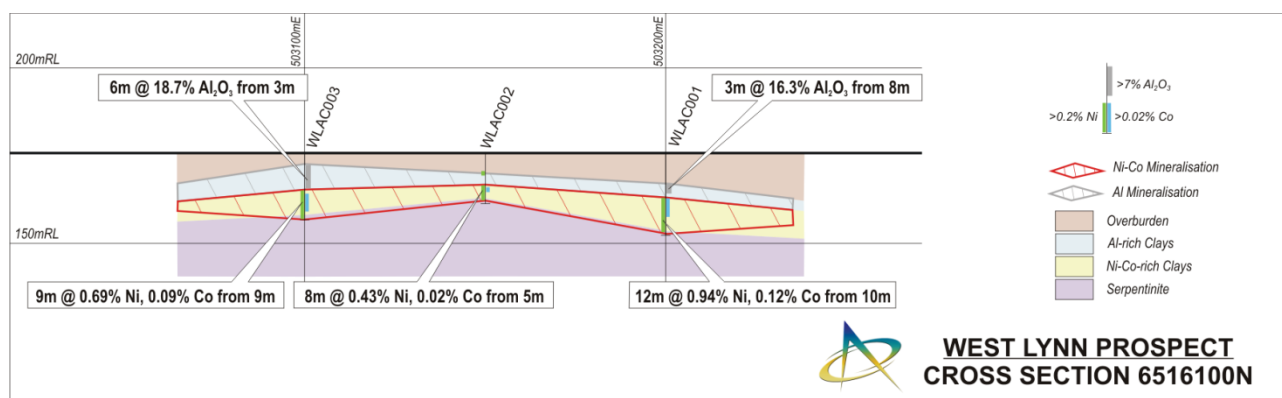
Locations of the significant Ni-Co- $\text{Al}_2\text{O}_3$  intercepts from the West Lynn Phase 1 drilling can be seen in Figures 8, and in cross section below (Figures 9 & 10). Ni-Co mineralisation at West Lynn is also associated with variably limonitic and ferruginous clay, saprolite and weathered serpentinite units. The higher alumina grades are associated with pale cream to white clay units located immediately above the Ni-Co mineralisation. Both Ni-Co and alumina mineralisation at West Lynn also appear to show good continuity, which is favourable for the forthcoming resource estimation work.



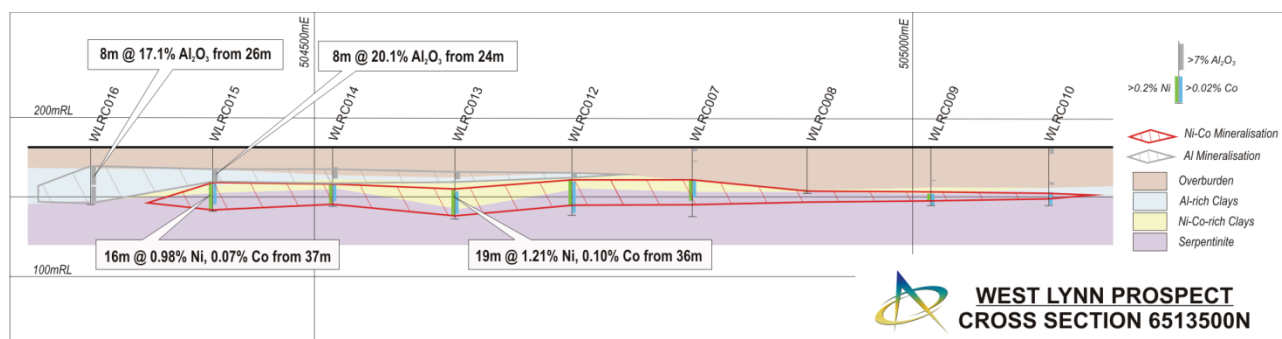
**Figure 8:** Plan of West Lynn Prospect showing all drilling (coloured by Ni ppm), Phase 1 significant intercepts (labelled), and proposed Phase 2 resource drilling (yellow dots) over regional aeromagnetic image.



## Review of Activities



**Figure 9:** West Lynn Prospect cross section (6516100N) showing recent drill holes, ore zones, significant intercepts and geology.



**Figure 10:** West Lynn Prospect cross section (6513500N) showing historic drill holes, ore zones, significant intercepts and geology.

Alchemy is highly encouraged by the nickel-cobalt results received from the Phase 1 drilling, and also the alumina results which compare favourably with the grades for deposits elsewhere in Australia currently being evaluated for High Purity Alumina (HPA), including Hill End Gold Limited's (ASX: HEG) Yendon Kaolin deposit (3.7Mt @ 34.7%  $\text{Al}_2\text{O}_3$ )<sup>7</sup>, and Collerina Cobalt Limited's (ASX: CLL) Homeville Ni-Co-Al deposit (16.3Mt @ 0.05% Co, 0.93% Ni, 3.1% Al & 19% Fe)<sup>8</sup>.

Alchemy also sees potential for expansion of the Ni-Co Exploration Target and subsequent resource by drilling untested sections of the 22km long West Lynn Serpentine magnetic high. This additional drilling will be undertaken once the results of the Phase 1 and 2 drilling have been compiled. Specific Gravity (SG) measurements, metallurgical work, the potential for HPA production and the definition of additional Ni-Co mineralisation will be further investigated over the coming months. The Phase 2 resource drilling is expected to be completed in September 2018.

<sup>7</sup> Refer to Hill End Gold Limited ASX Announcement dated 12 February 2018

<sup>8</sup> Refer to Collerina Cobalt Limited company presentation dated 6 March 2018

## Review of Activities

---

### ***Overflow Gold-Base Metal Project***

The Overflow Project consists of three exploration licences covering 285km<sup>2</sup> located over a 34km long section of the Gilmore Suture approximately 20km east of the high grade Hera/Nymagee deposits (*Figure 2*). The projects are located on Ordovician-Devonian metasediments and volcanics which are highly prospective for epithermal and Cobar-style gold and base-metal mineralisation.

The Projects are centred on the historic Overflow mining centre, a past producer of gold, silver and lead, which has been the focus of previous exploration in the area since mining ceased in 1942. Historic drilling at the Overflow Mine has returned high-grade gold-silver and base metal intercepts (*Figure 11*), including 4.6m at 8.5g/t gold, 79g/t silver, 13.5% zinc, 7.1% lead from 185.4m, 10m at 4.4g/t gold, 21g/t silver, 3.0% zinc, 1.3% lead from 163m, and 6m at 7.55g/t gold, 29g/t silver, 3.6% zinc, 1.5% lead from 136m<sup>9</sup>.

Early in 2017 Alchemy completed one diamond drill hole at Overflow (OFDD001) which returned 18m @ 2.1g/t Au, 111g/t Ag from 245m (including 11m @ 3.0g/t Au, 141g/t Ag from 253m), and 3m @ 7.3g/t Au, 43g/t Ag, 4.6% Zn, 4.2% Pb, 0.3% Cu from 286m<sup>10</sup>. The results expanded the known extent of high grade gold-silver-lead-zinc mineralisation and was one of the best gold intercepts encountered at the prospect to date (*Figure 11*). Mineralisation is structurally-controlled, with known zones having relatively short strike lengths but potentially long in the down-plunge direction, typical of Cobar-style mineralisation.

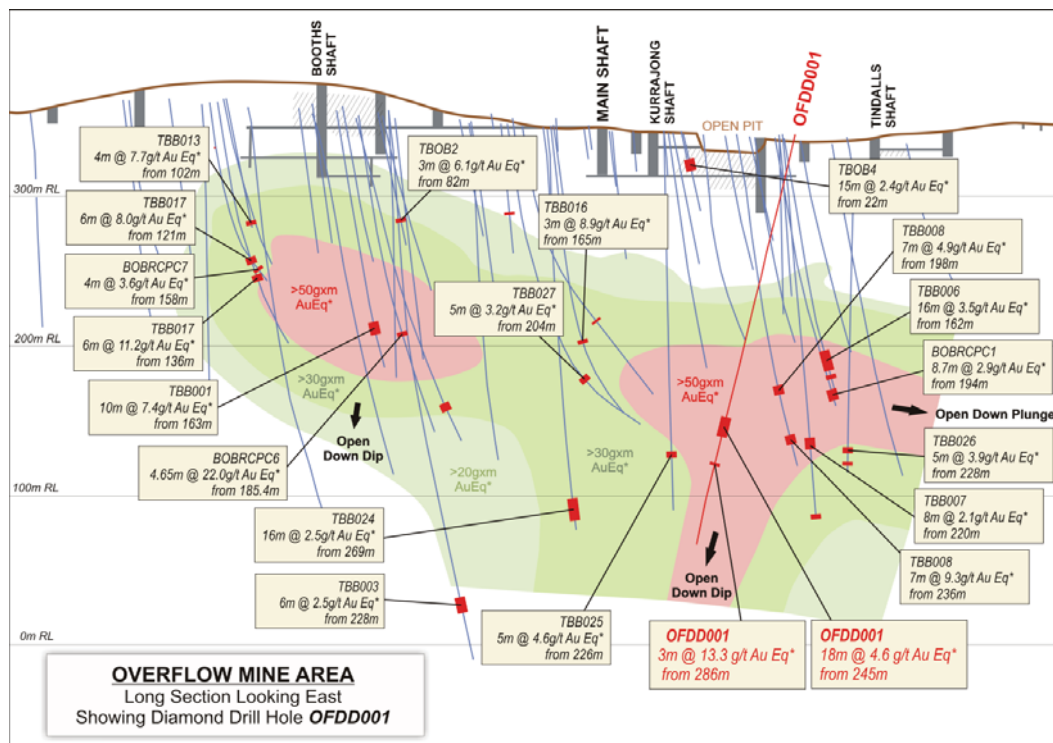
Early in 2017 Alchemy commenced the Native Title Right to Negotiate process in order to conduct exploration within the Crown Land that covers the southern part of the Overflow Prospect. After eight months of negotiations the Native Title Land Access Agreement (“Agreement”) with the Ngemba, Ngiyampaa, Wangaaypuwan and Wayilwan Aboriginal People has now been executed by all parties.

Alchemy can now commence the surface electromagnetic (EM) survey to better define a strong airborne EM conductivity anomaly identified immediately south of the known high grade mineralisation at Overflow. Subject to geophysical modelling of this survey, a deep diamond hole is planned to test the conductivity anomaly at approximately 350m below surface (*Figure 12*). A second diamond hole is also planned to test the vertical continuity of the mineralisation encountered in Alchemy diamond hole (OFDD001) (*Figure 13*). Alchemy is pleased to be finally commencing the long anticipated EM survey and deep diamond drilling program.

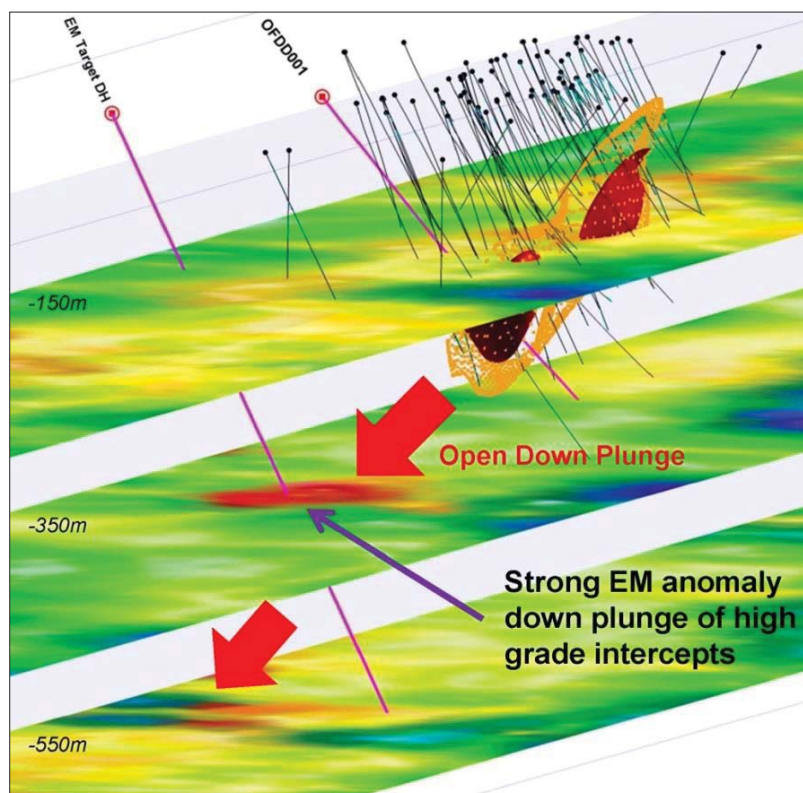
---

<sup>9</sup> Refer to Alchemy Resources ASX Announcement dated 30 May 2016

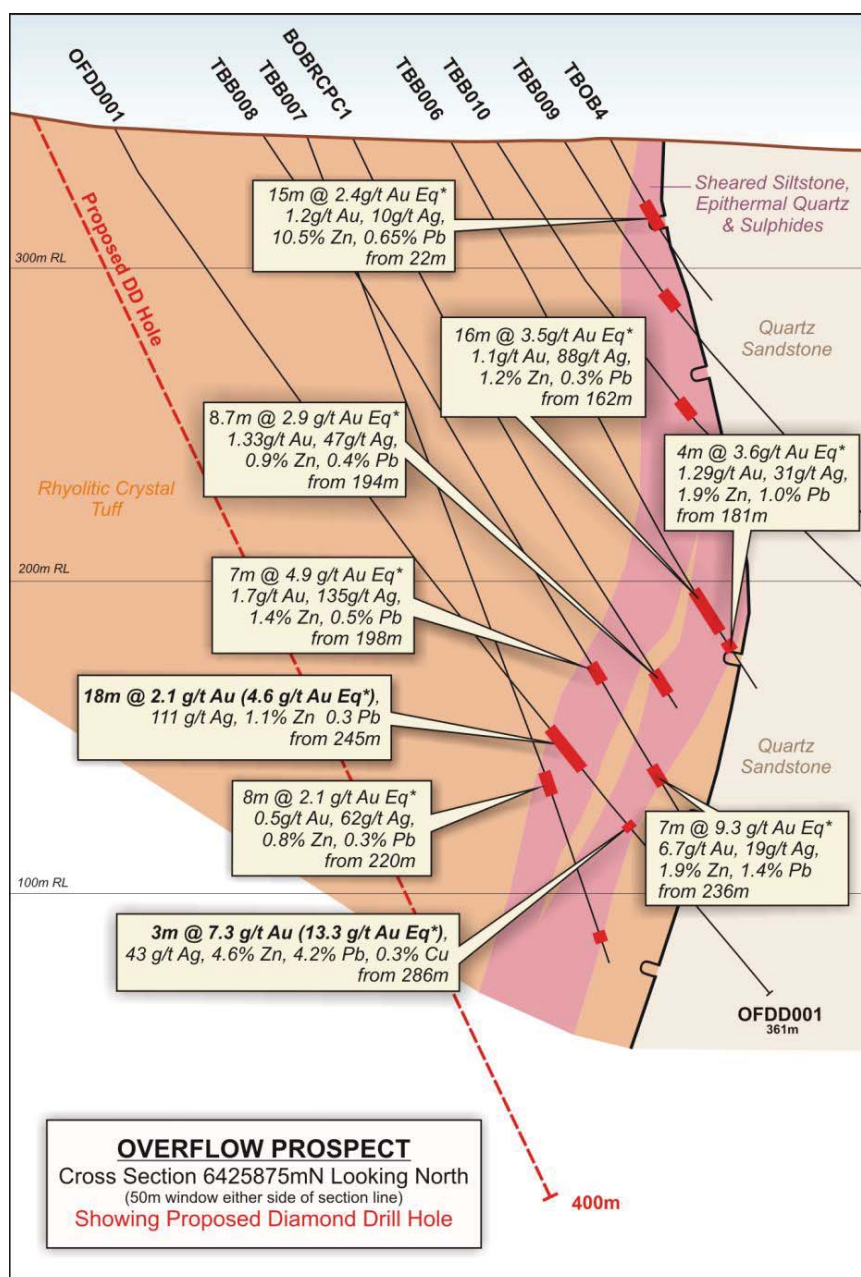
<sup>10</sup> Refer to Alchemy Resources ASX Announcement dated 29 March 2017



**Figure 11:** Overflow Prospect long section looking east showing historic workings, drill intercept AuEq grade x metre shells, historic drilling and completed diamond drill hole (OFDD001 - labelled).



**Figure 12:** Overflow Prospect 3D view showing grade x thickness shells of AuEq intersections (red = >50gxm AuEq, orange dots = >30gxm AuEq), historic drilling, OFDD001 and planned deep diamond drill hole (magenta lines) over VTEM conductivity slices (150m, 350m and 550m below surface).



**Figure 13:** Overflow Prospect cross section (6425875N+50m) looking north showing grade x thickness shell outline (>30gxm AuEq), drill hole traces coloured by Au (left) and Ag (right), and historic drilling intercepts & OFDD001 intercepts (labelled), (Refer to Alchemy Resources ASX Announcement dated 14 February 2017).

Along strike to the south of the Overflow mine, at BO2 North, a single drill hole (OFTRC005), targeting a very strong IP chargeability anomaly was terminated in weak mineralisation (12m at 0.42g/t gold to end of the hole) with visible chalcopryite identified. This represents a priority target which will also be drill tested in the next 12 months. Other targets warranting further work include the BO2/Deeves Shaft Prospect and the Parkvale Prospect which have both returned elevated Cu-Pb-Zn values in soil geochemistry and historic drilling.



## Review of Activities

---

### **Black Range Tank Prospect**

Reverse Circulation (RC) drilling (2 holes for 344m) was completed at the Black Range Tank Prospect during the year. The drilling targeted Hera / Overflow style gold and base metal mineralisation associated with a large, insufficiently tested VTEM conductivity high, MLEM conductivity high, coincident gold/base metal soil anomalism, and gossan rock chip values up to 1.94g/t Au, 45g/t Ag, 1.2% Pb, & 0.1% Cu<sup>11</sup>. Both drill holes intercepted a sequence of quartz veined graphitic sediments which appear to have explained the EM anomaly, but no significant assay results were returned. The gossanous unit seen at surface to the east of the drill hole collars was not identified in either drill hole and the source of the gold and copper in soil anomaly remains unexplained.

### ***Yellow Mountain Gold-Base Metal Project***

The Yellow Mountain Project consists of one 93km<sup>2</sup> exploration licence covering a 20km long section of the Gilmore Suture approximately 8km west of the historic Mineral Hill deposits (*Figure 2*). The project is located on Ordovician - Silurian granites, Ordovician metasediments, and Devonian volcanics which are prospective for epithermal and Cobar-style gold and base-metal mineralisation.

### **Rosedale Prospect**

During the year RC drilling (3 holes for 135m) was completed within a strong copper in soil anomaly at the Rosedale Prospect. The drilling targeted the western strike extensions of various historic drill intercepts including **24m @ 2.51g/t Au from 4m** (PDH02)<sup>12</sup> and **6m @ 3.1g/t Au from 5m** (PQS007)<sup>13</sup>. All three drill holes intercepted foliated volcanoclastic sandstone above a variably silicified, quartz veined magnetic basalt containing up to 5% disseminated and fracture fill pyrite, however no significant gold mineralisation was encountered. Mineralisation identified in previous drilling does not plunge to the west as initially interpreted and structural controls on mineralisation remain unknown.

### **Fountaindale Prospect**

A large magnetic high and coincident gravity high containing an internal intrusive body (magnetic low) at the Fountaindale Prospect forms a substantial porphyry copper-gold target within the centre of the licence area. The prospect warrants additional drilling.

### ***Eurow Copper-Gold Project***

The Eurow Copper-Gold Project ("Eurow"), located 30km southeast of Parkes (*Figure 2*), covers 167km<sup>2</sup> of Ordovician and Devonian-aged meta-sediments intruded by Silurian and Devonian granites, and proximal to the intersection of the Narromine-Coolac Fault Zone and the Lachlan Transverse Zone. The Project area contains the historic Eurow-Vychan copper-gold workings where historic drilling returned high-grade intercepts of 8m at 2.94% copper and 0.85g/t gold from 47m, 3m at 4.0% copper and 1.25g/t gold from 73m, and 4.4m at 1.57% copper and 0.63g/t gold from 212m from below the workings.

Copper-gold mineralisation at Eurow appears to be planar and stratiform and is associated with semi-massive and breccia zones of pyrite-pyrrhotite-chalcopyrite. Heron undertook shallow aircore drilling in late 2013 on targets north and south of the historic workings that returned anomalous copper results. The

---

<sup>11</sup> Refer to Alchemy Resources ASX Announcement dated 21 August 2017

<sup>12</sup> Refer to Samantha Exploration ELs 2411, 2441, & 2442 Final Report dated June 1987

<sup>13</sup> Refer to Paradigm Metals EL6325 Annual Report for the period ending 19 October 2012

## Review of Activities

---

drilling, which was hampered by thick clay zones, did not reach target depths and warrants further drill testing.

During the year Alchemy conducted wide spaced soil sampling (500m x 500m) over residual soils coinciding with Ordovician and Silurian aged rocks. Results included a maximum of 15ppb Au and 66ppm Cu from a sample collected 2.9km NE of the Cookamidgera manganese mine. Anomalous Cu and Au values in soils (striking NNE-SSW parallel with regional lithological trends) were also identified immediately north of Cookamidgera. Analysis of the copper and gold results showed a very high correlation between the two elements (0.66 – Pearson correlation index). Infill soil sampling will be required around the anomalous samples. Interestingly only low Cu and Au results were returned from the Eurow Mine area.

### ***Girilambone Copper Project***

Girilambone comprises one granted tenement covering 129km<sup>2</sup>, located about 20km east of Aeris Resources Ltd's (ASX: AIS) Tritton copper operation on the eastern edge of the Girilambone Basin (*Figure 2*). Girilambone is prospective for 'Besshi-type' volcanic massive sulfide (VMS) copper-gold mineralisation within mafic units of the Ordovician Girilambone Group, and located along an interpreted VMS trend extending south from the Girilambone Copper Mine (*Figure 2*). The Project area is adjacent to copper anomalism along structural and magnetic trends from the historic Kurradjong copper workings which have recently returned high grade copper intercepts including 17m @ 2.6% Cu, 0.3g/t Au from 753m, 19m @ 2.2% Cu, 0.3g/t Au from 677m and 4.6m @ 5.1% Cu, 0.8g/t Au from 403m<sup>14</sup>.

A wide spaced auger drilling program (200m x 2km) was completed across areas of interpreted shallow alluvium during the year. Assays returned only weakly anomalous Cu, Pb, Zn, Au, As, and Sb at the NE and SW ends of the drill lines. Cu:Sc ratios derived from the results (used to distinguish Cu mineralisation from rock types naturally elevated in copper), showed Cu anomalism related to mineralisation at the western end of the central line. Infill geochemistry around this area may be warranted.

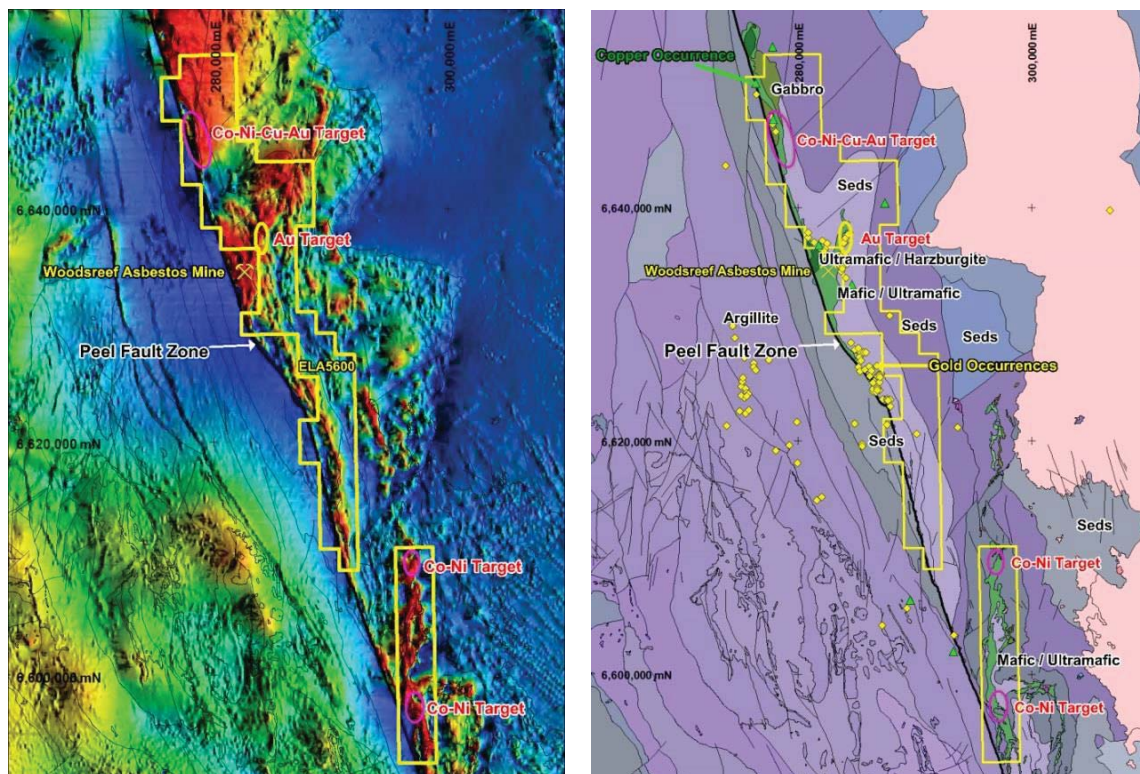
### **Woodsreef Ni-Co Project**

Exploration licence (EL8711) (also included in the Alchemy – Heron Option Agreement) is located 35km north of Tamworth, NSW, and covers an area of 281km<sup>2</sup> within the New England Fold Belt. The licence encompasses a 34km long section of the Peel Fault, which is recognised as a regional thrust system that hosts intrusive serpentinites and separates the Woolomin Beds and Permian granites to the east from the Tamworth Belt to the west. The principal targets in the region are vein hosted orogenic gold and copper mineralisation hosted by silica-carbonate altered serpentinites located on or adjacent to the Peel Fault, and cobalt, chromite, platinoid, and nickel sulphide targets associated with composite/layered ultramafic intrusives within the licence (*Figure 14*).

---

<sup>14</sup> Refer to Aeris Resources Ltd ASX announcements dated 12 June 2018 & 21 August 2018



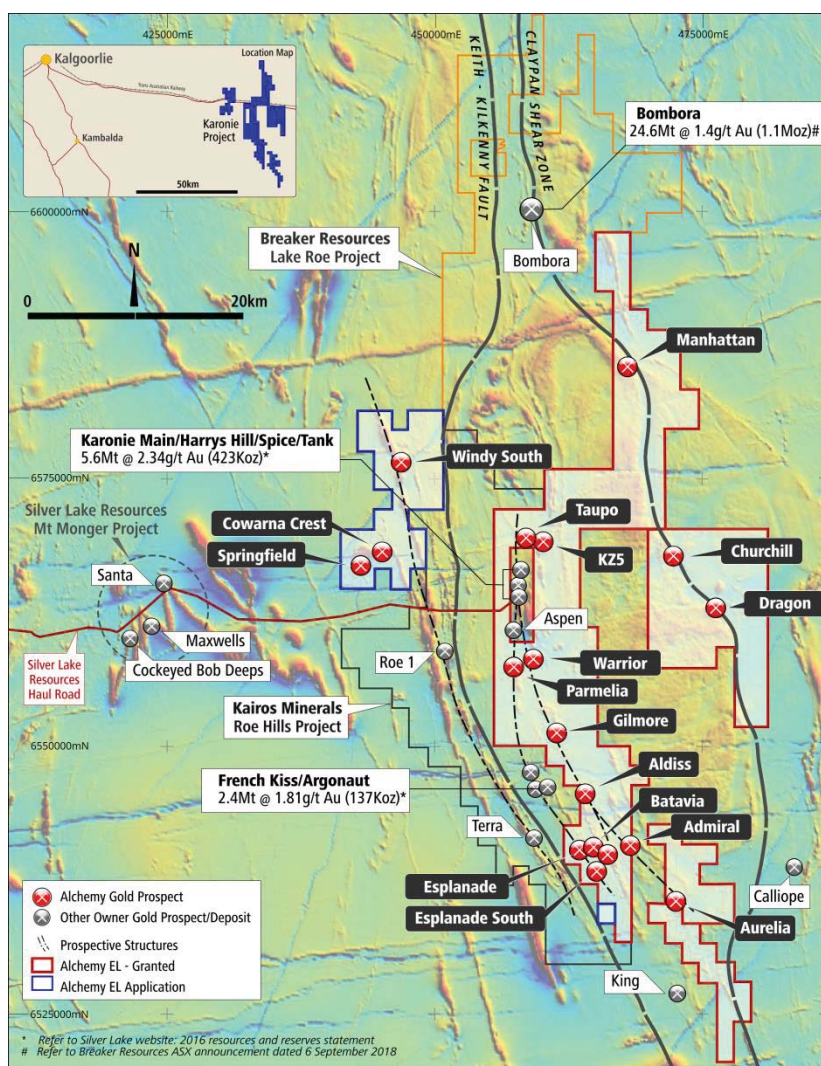


**Figure 14:** Woodsreef Option Agreement licence (EL8711), exploration targets (Au-Cu-Ni-Co), known Cu and Au occurrences, and interpreted structures over state-wide TMI aeromagnetic image (left) and regional Govt. geology (right)

### **Karonie Project (WA)**

(Alchemy 100%)

The Karonie Project includes eight granted licences and two licence applications covering 785km<sup>2</sup> of Archean greenstones in the Eastern Goldfields of Western Australia (Figure 15). The project is located 100km east of Kalgoorlie in a highly prospective, quality geological setting, covering numerous mineralised structures between two regional-scale fault zones (Figure 15). It is strategically located within 50km of the Randalls gold processing plant, and is along strike to the north and south of Silver Lake Resources' (ASX: SLR) Karonie/Harry's Hill and French Kiss deposits which host resources and reserves of over 560,000oz @ 2.34g/t Au, including a probable reserve of 1.13Mt at 2.4g/t gold for 86,000 oz gold at Harry's Hill where mining has now commenced. Alchemy's two large eastern licences are just 12km along strike to the south of Breaker Resources' (ASX: BRB) Bombora Deposit which contains an indicated and inferred resource of 24.6Mt @ 1.4g/t Au for 1,084,000oz. The eastern licences cover 38km of strike of the under-explored, gold endowed Claypan Shear Zone (CSZ).

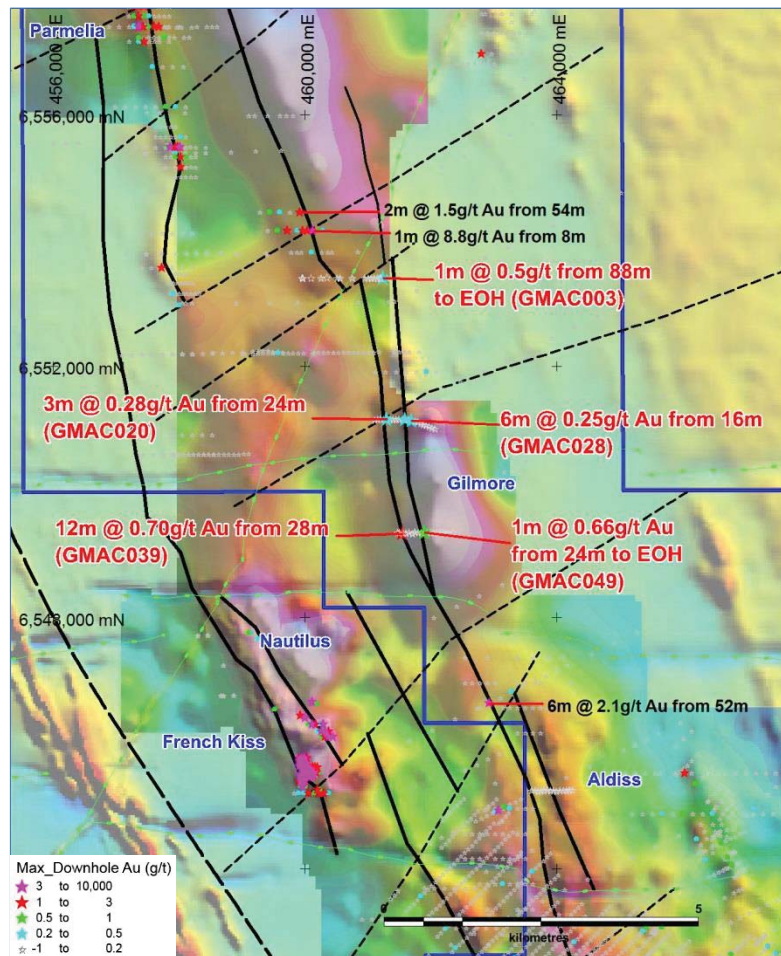


**Figure 15:** Karonie Project tenements, major deposits, prospects and interpreted major structures over aeromagnetic image

During the year a prospectivity study completed by SRK Consulting was used to identify high priority Karonie/Bombora style targets within the Karonie Project area. D2 shears and folded/thickened dolerite units interpreted from detailed aeromagnetic imagery were identified at the Gilmore and Aldiss prospects. An aircore drilling program (74 holes for 3,383m) was subsequently completed and discovered a sequence of Archaean basalt and strongly altered foliated dolerite units, suggesting that basement rocks are structurally and geochemically favourable to gold mineralisation.

Numerous significant gold anomalies were received (Figure 16, Table 2), with the results confirming the presence of gold mineralisation over 5km of strike with extensions to the north and south highly possible. Anomalous levels of Te, As and Sb coincident with the gold mineralisation suggest the drilling has intercepted at least one and possibly two major structures, and may indicate the presence of a significant mineralised system in the area. The best intercept (12m @ 0.70g/t Au from 28m in GMAC039) was returned from saprolitic clays containing up to 15% oxidised sulphide and quartz vein drill chips. The interpreted footwall of this mineralisation is comprised of strongly foliated (sheared), carbonate-diopside-biotite-pyrite altered dolerite, very similar to what is seen at the Karonie mine 16km to the north (Figures 16 & 17). The nearest drill hole along strike of GMAC039 is ~3km to the south and ~2km to the north. Follow-up drilling targeting primary gold mineralisation at depth and along strike is warranted.





**Figure 16:** Gilmore / Aldiss Aircore drilling results (red text), maximum downhole gold, relevant historic drilling results (black text), and interpreted major structures over combined gravity and TMI aeromagnetic imagery.

**Table 2:** Drill hole details and significant aircore drilling intercepts (composite sampling).

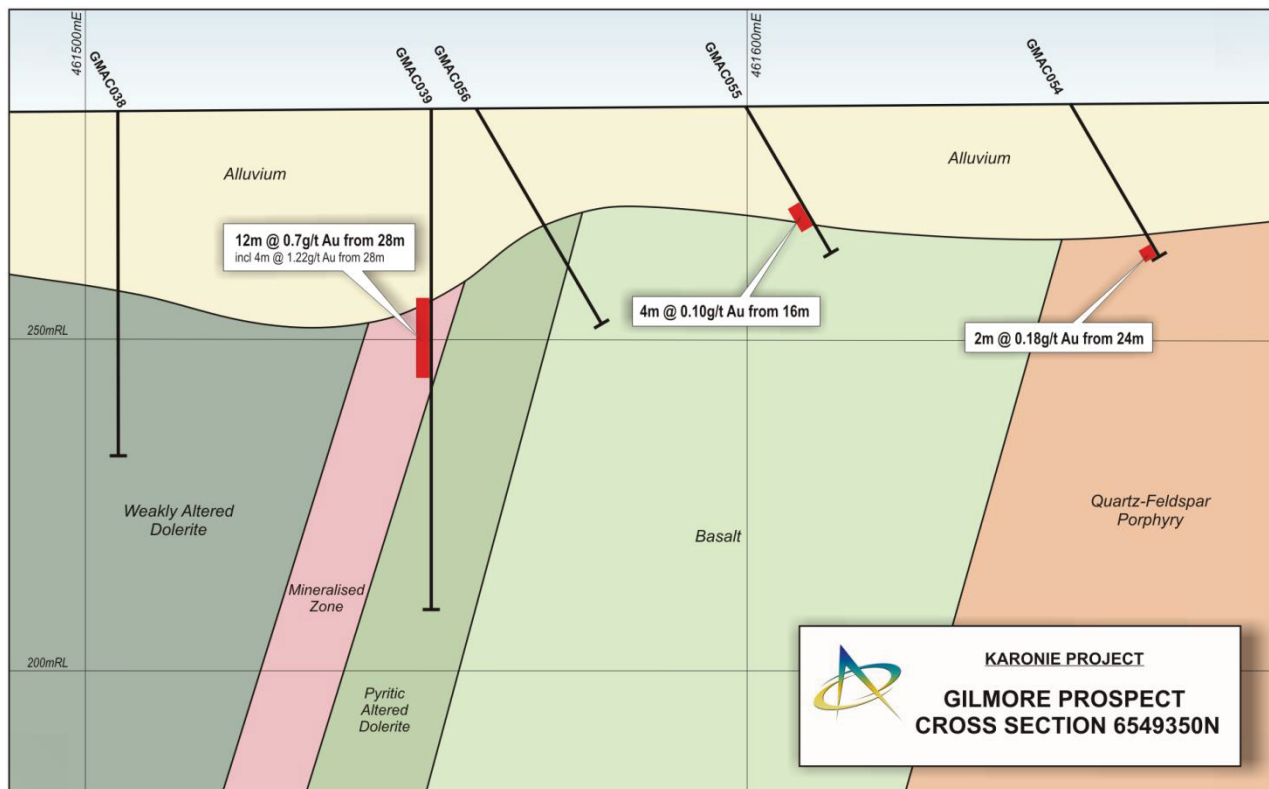
Hole ID	East*	North*	RL	Dip	Azi*	EOH Depth	From (m)	To (m)	Width (m)	Au g/t <sup>#</sup>
GMAC003	461250	6553400	290	-90	0	89	60	64	4	0.19
						and	88	89 EOH	1	0.48
GMAC007	460511	6553403	290	-90	0	98	92	96	4	0.13
GMAC020	461300	6551155	290	-90	0	27	24	27	3	0.28
GMAC021	461350	6551156	290	-90	0	35	20	24	4	0.18
GMAC026	461597	6551155	290	-90	0	32	24	28	4	0.21
GMAC027	461644	6551148	290	-90	0	32	24	32 EOH	8	0.10
GMAC028	461694	6551134	290	-90	0	22	16	22 EOH	6	0.25
GMAC039	461552	6549339	290	-90	0	75	28	40	12	0.70
						incl.	28	32	4	1.22
GMAC042	462244	6549351	290	-60	90	23	20	23 EOH	3	0.11
GMAC049	461903	6549354	290	-60	90	21	20	21 EOH	1	0.66
GMAC054	461649	6549351	290	-60	90	26	24	26 EOH	2	0.18

## Review of Activities

Hole ID	East*	North*	RL	Dip	Azi*	EOH Depth	From (m)	To (m)	Width (m)	Au g/t <sup>#</sup>
GMAC055	461600	6549348	290	-60	90	25	16	20	4	0.10
ALAC014	463600	6545250	290	-60	90	80	56	60	4	0.18

\*GDA94 (zone 51)

<sup>#</sup>Lower cut-off grade = 0.1g/t Au, no top cut applied, no internal waste, all intercepts >0.1g/t Au reported  
(Refer to Alchemy Resources ASX Announcement dated 30 October 2017).



**Figure 17:** Gilmore Prospect aircore drilling (cross section 6549350N) showing Alchemy aircore drill intercepts and geology.

Also during the year, 5,507m of orientation RAB drilling was completed over the Claypan Shear Zone (CSZ) at the Manhattan and Dragon targets with the aim of testing gold anomalism identified in previous soil sampling and shallow auger drilling and coincident prospective folded and/or converging dolerite units were interpreted from detailed aeromagnetic imagery.

Holes were drilled on lines 200m to 1,400m apart at variable hole spacings to achieve an approximate 50% drill coverage. Results included anomalous gold mineralisation associated with the interpreted location of the CSZ at both the Dragon and Manhattan prospects, and confirmed multiple broad zones of gold anomalism over 5km of strike, accompanied by anomalous chalcophile elements typically associated with major structures and significant mineralised systems. The results are similar to the gold anomalism initially targeted by Breaker Resources at Bombora (maximum 4m @ 0.71g/t Au)<sup>15</sup> and have given the Company sufficient confidence to use RAB drilling to explore the remaining 36km of untested strike of the CSZ (Figure 18).

<sup>15</sup> refer to Breaker Resources NL ASX announcement dated 17 July 2015

## Review of Activities

Up to 22m of transported alluvial cover observed at both Dragon and Manhattan prospects has established that historic shallow auger sampling and soil sampling are not reliable sampling methods along the CSZ, and that RAB drilling is essential. Subsequently Phase 2 RAB drilling along the CSZ will put less weight on previous soil and auger results and instead target interpreted flexures and pressure shadows identified from aeromagnetics (*Figure 18*).

Better assay results from the RAB drilling include 8m @ 0.13g/t Au from 32m to EOH (DRRB067) and 1m @ 0.11g/t Au from 44m to EOH (DRRB128) from the Dragon Prospect (*Figure 18 & Table 3*), and 8m @ 0.12g/t Au from 44m (MARB027) and 4m @ 0.11g/t Au from 56m (MARB021) from the Manhattan Prospect (*Figure 18 & Table 3*)<sup>16</sup>.

Coarse grained fractionated dolerite units displaying leucocratic segregations (typical host rocks to gold mineralisation at Bombora, Mt Charlotte, Fimiston and Hidden Secret) were identified within RAB samples at both the Dragon and Manhattan prospects, and can be correlated to subtle linear and/or folded magnetic highs. These magnetic highs will also be targeted in the proposed Phase 2 RAB drilling (*Figure 18*).

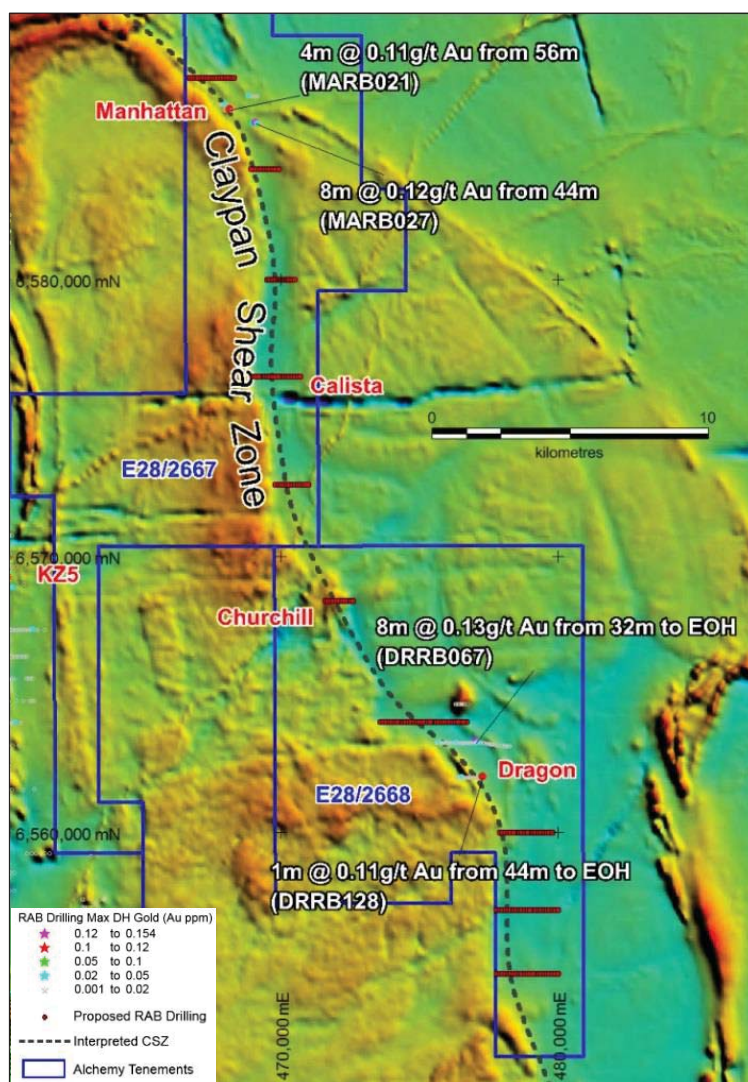
**Table 3:** Drill hole details and significant RAB drilling intercepts (4m composite sampling).

Hole ID	East*	North*	Dip	Azi*	EOH Depth	From (m)	To (m)	Width (m)	Au g/t <sup>#</sup>
DRRB067	477050	6563240	-60	269	40	32	40	8	0.13
DRRB128	477297	6561992	-60	273	45	44	45	1	0.11
MARB021	468146	6586147	-60	273	64	56	60	4	0.11
MARB027	469076	6585651	-60	281	56	44	<b>52</b>	<b>8</b>	<b>0.12</b>

\*GDA94 (zone 51)

<sup>#</sup>Lower cut-off grade = 0.1g/t Au, no top cut applied, no internal waste, all intercepts >0.1g/t Au reported

<sup>16</sup> refer to Alchemy Resources ASX announcement dated 13 April 2018



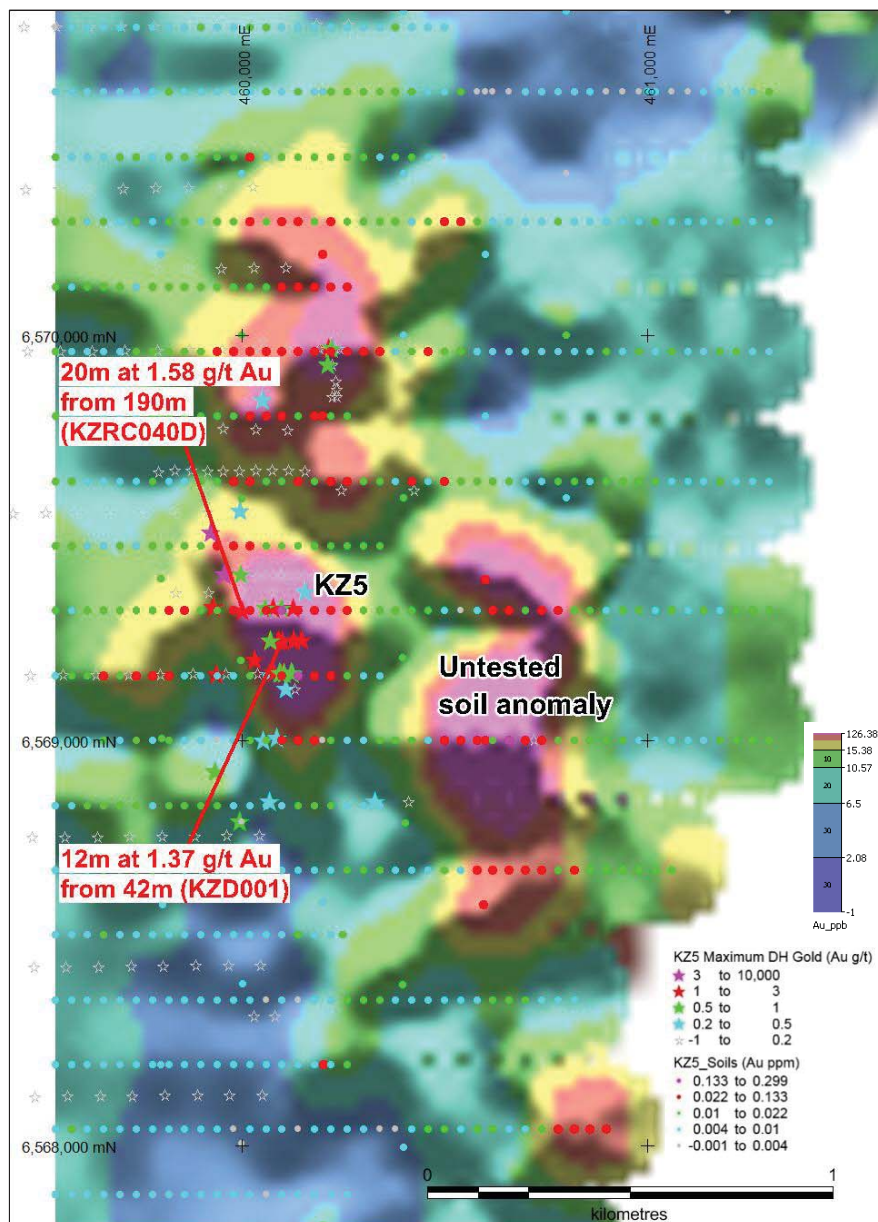
**Figure 18:** Karonie RAB drilling significant results and proposed Phase 2 RAB drilling (red lines) over Government aeromagnetic image.

An additional line of RAB drilling (8 holes for 166m) was completed across an interpreted dolerite unit coinciding with gravity and magnetic highs at the Warrior Prospect located 7km north of the recently drilled Gilmore Prospect. RAB drilling was unable to reach bedrock, intersecting clay and highly weathered quartz-rich sandstones of the Woodline Formation cover sequence, and the area remains untested. Other drilling methods are being considered.

During the year 128 soil samples were collected at 200m x 400m staggered grid spacings across the KZ5 and KZ5 north prospects. Fifty soil samples were also collected at 100m x 100m spacings across a small area of residual soil at the Gilmore prospect. Results included 20 values greater than 20ppb Au, up to a maximum value of 141ppb Au from the Gilmore Prospect and 61ppb Au from KZ5. Results from KZ5 confirmed and further defined a significant gold in soil anomaly approximately 500m SE of the main body of drilling at KZ5 (Figure 19). Considering the significant historic gold intercepts returned from the adjacent KZ5 Prospect (20m at 1.58 g/t Au and 12m at 1.37 g/t Au)<sup>17</sup>, RC drill testing of this anomaly is warranted.

<sup>17</sup> refer to Alchemy Resources ASX announcement dated 28 October 2016





**Figure 19:** KZ5 Prospect recent and historic soil sampling (Au ppm), historic drilling (maximum downhole gold) and best historic drilling results (red text) over gold in soil imagery (Au ppb).

### **Bryah Basin Project (WA)**

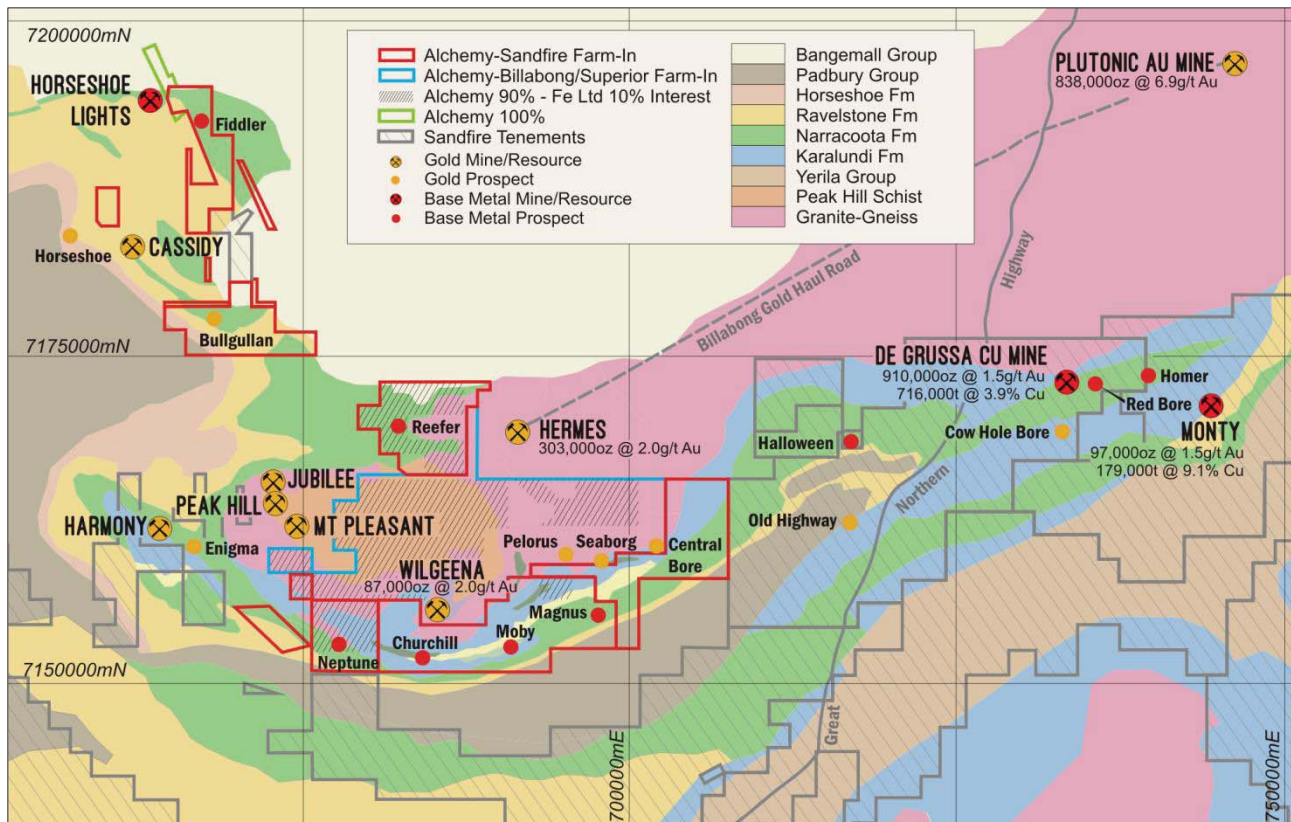
*(100% or 80% Alchemy Resources Limited)*

Alchemy's base metal and gold prospective Bryah Basin Project comprises a 527km<sup>2</sup> tenement package, located 130km NE of Meekatharra, Western Australia. The Project is located along strike and west of Sandfire Resources NL's (ASX: SFR) high-grade DeGrussa and Monty copper-gold deposits, and adjacent to Peak Hill where about 1Moz of gold has been mined from several deposits (Figure 20). Alchemy retains its interests in the Bryah Basin Project through farm-in and joint venture agreements over the gold prospective part of the project with Plutonic gold mine operators Billabong Gold Pty Ltd (Billabong), a wholly owned subsidiary of Superior Gold Inc. (TSX.V: SGI), and over the base metal prospective part of the project with leading Australian base metal producer, Sandfire Resources NL (ASX: SFR) (Sandfire) (Figure 20). Should an

## Review of Activities

economic base metal or gold discovery be made by Sandfire or Billabong, Alchemy retains the right to participate as a 20% partner, an equity position that could deliver significant value to shareholders.

Alchemy also retains a 1% net smelter royalty over future production from 50,000oz to 70,000oz gold from the Hermes gold deposit (*Figure 20*), where Superior Gold recently released a Measured and Indicated Resource (inclusive of Reserves) of 303,000 oz gold (4.77Mt at 1.97g/t gold).



**Figure 20:** Bryah Basin Project – Sandfire Resources JV and Billabong Gold JV areas and gold and base metal prospects.

### Base Metals Exploration (Sandfire earning up to 80%)

On 6 August 2018 it was announced that Sandfire had acquired Independence Group NL's (ASX: IGO) Bryah Basin Project Farm-In Rights<sup>18</sup>, whereby Sandfire can earn up to an 80% interest in whole and part tenements that cover the base metal prospective areas of Alchemy's Bryah Basin Project (*red outlines in Figure 20*) by spending \$3.1M by 28 October 2019.

The agreement with Sandfire will result in a significant increase in exploration activities within the base metal prospective area of the Bryah Basin Project. Sandfire intends to combine its extensive local geological, geophysical and geochemical knowledge gained from exploring and mining of the DeGrussa ore body with the detailed surface electromagnetic work completed by IGO over the strike extensive highly prospective Narracoota / Karalundi Formation contact zone in order to define base metal targets within the farm-in tenements. Should a high-value base metal discovery be made, Sandfire's processing facilities at DeGrussa located just 30km to the NE will be a critical component towards a positive feasibility study.

<sup>18</sup> Refer to Alchemy Resources ASX Announcement dated 6 August 2018

## Review of Activities

Over the past 18 months IGO completed several moving loop electromagnetic (MLEM) surveys over selected targets including the Moby, Neptune North, Magnus West and Central Bore prospects. These surveys defined numerous, large moderate strength EM conductors, many of which are strike extensive and may relate to stratigraphy. Further modelling of the conductors is planned by Sandfire in order to better determine their nature and whether any may be related to VHMS-style mineralisation. Alchemy is looking forward to Sandfire commencing exploration utilising their extensive knowledge gained from exploring and mining in the district, and is hopeful that a significant base metal deposit will be discovered.

### **Gold Exploration** (*Billabong Gold earning up to 80%*)

Exploration of Alchemy's tenements that cover the gold prospective part of the Bryah Basin Project (*blue outline in Figure 20*) continued under the farm-in and joint venture agreement with Billabong Gold Pty Ltd (Billabong JV) a subsidiary of Superior Gold Inc (TSX-V: **SGI**). Once Billabong has earned 70-80% of Alchemy's interests in the gold prospective tenements. Alchemy's remaining interest is carried on an interest-free deferred basis to production, with Alchemy to repay the deferred amount at the rate of 50% of its share of free cash flow from production following commencement of mining.

The Billabong JV is enabling near-term exploration of a number of advanced to grass roots targets identified over the gold prospective landholding in the Bryah Basin Project. During the year resource modelling and resource estimation work was completed on the Billabong JV Wilgeena deposit (renamed Hermes South), located just 20km south-southwest of the Hermes mining operation and 65km southwest of Billabong's Plutonic gold mine.

This work confirmed a JORC Code 2012 Edition compliant uncut inferred resource estimate of 1.37Mt @ 1.97g/t for 87,093oz Au (0.6g/t Au lower cut-off) for the deposit. Details of the updated Hermes South JORC Code 2012 compliant resource estimate is shown in Table 4 below, and compares favourably to the JORC Code 2004 resource estimate completed in 2012<sup>19</sup>.

Table 4: Hermes South JORC Code 2012 and JORC Code 2004 complaint Mineral Resource Estimate comparison.

Hermes South	Inferred			Lower Cut (g/t Au)
	Tonnes (Mt)	Au grade (g/t)	Au (oz)	
Uncut (JORC 2004)	1.37	1.99	87,373	0.5
Uncut (JORC 2012)	1.37	1.97	87,093	0.6
20g/t Au top cut (2004)	1.37	1.40	61,434	0.5
20g/t Au top cut (2012)	1.37	1.53	67,783	0.6

Metallurgical test-work undertaken on oxidised core from the Hermes and Hermes South gold deposits, obtained from the diamond drilling program in 2010, indicates that the ore is amenable to treatment in a conventional crush, grind and CIL plant with good recoveries across all size fractions. A high proportion of gold is contained in the coarse fraction, and the test-work indicates that a large percentage (40-60%) of the free gold at Hermes South could be recovered by gravity concentration. No technical issues have been identified that would result in a poor recovery or extenuating cost issues<sup>20</sup>.

<sup>19</sup> Refer to Alchemy Resources ASX Announcement dated 22 October 2012

<sup>20</sup> Refer to Alchemy Resources ASX Announcement dated 22 October 2012



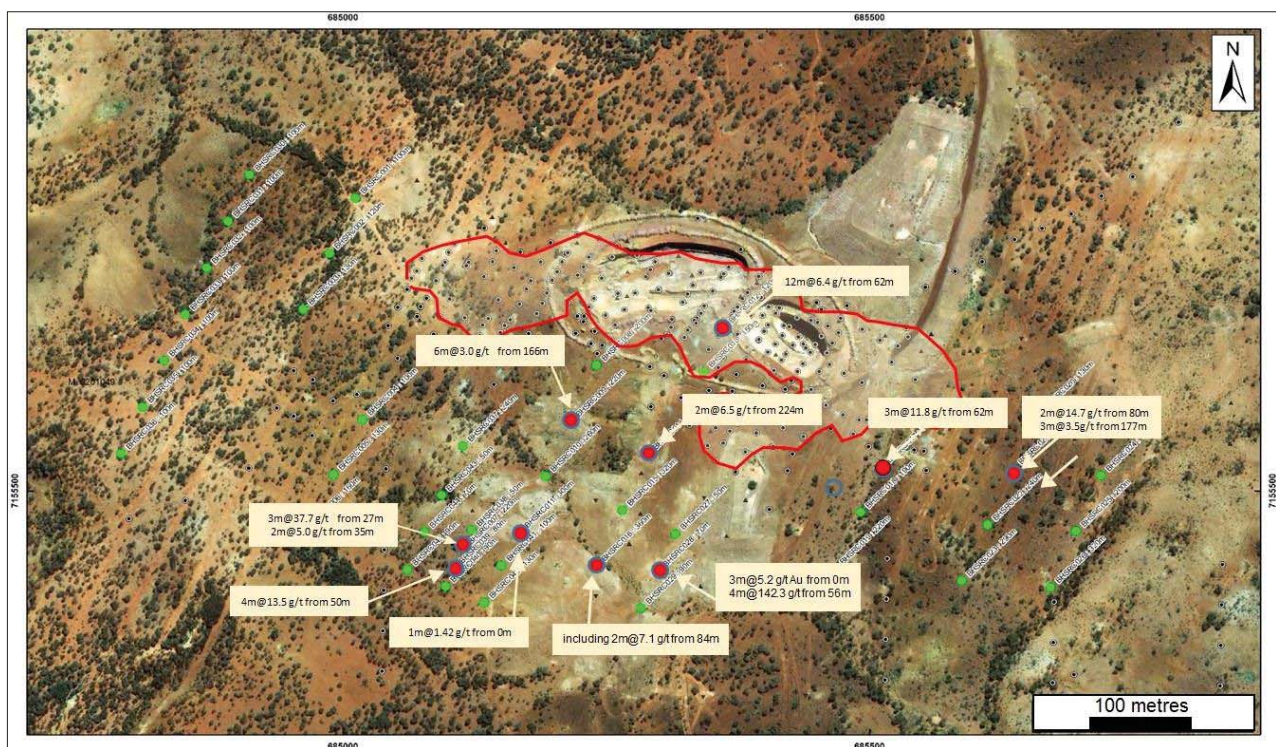
## Review of Activities

During the year Billabong completed 45 RC drill holes totalling 6,896m (*Figure 21*) at Hermes South. The program identified a new shallow parallel lode 150m to the south of the main Hermes South ore zone, and confirmed the potential to increase the existing resource down-plunge to the east of the currently defined mineralisation (*Figures 21 - 23*).

Significant intercepts from the Superior Gold Hermes South RC drill program included<sup>21</sup>:

- **3m @ 37.7g/t Au** from 27m (BHSRC007), approximately 150m south of existing resource
- **2m @ 5.0g/t Au** from 35m (BHSRC007)
- **6m @ 3.0g/t Au** from 166m (BHSRC009)
- **4m @ 142.0g/t Au** from 56m (BHSRC028), approximately 150m south of existing resource
- **12m @ 6.4g/t Au** from 62m (BHSRC012)
- **4m @ 13.5g/t Au** from 50m (BHSRC039)
- **3m @ 11.8g/t Au** from 62m (BHSRC017)

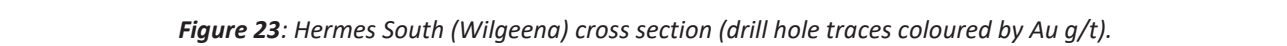
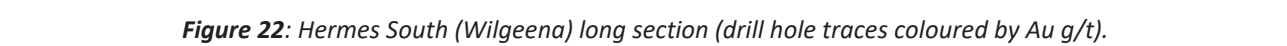
All gold intercepts from the 45 RC drill holes can be seen in Table 5 below.



**Figure 21:** Hermes South (Wilgeena) location of drill intercepts and current RC program over Google Earth image.

<sup>21</sup> Refer to Alchemy Resources ASX Announcements dated 14 May 2018 and 15 June 2018

---



## Review of Activities

**Table 5 – Drill Intercepts from Hermes South (Wilgeena)<sup>22</sup>**

Hole ID	Easting MGA94 (z50)	Northing MGA94 (z50)	RL	Dip (degrees)	Azimuth (degrees)	Total Depth (m)	From (m)	To (m)	Intersection (m)	Au (g/t) uncut	Est. True Thickness (m)
WGDC006	685139	7155602	575	-60	24	180.2	136.2	145.2	9	9.3	9.0
BHSRC003	684962	7155679	583	-60	24	130	76	77	1	3.7	0.7
BHSRC004	685019	7155570	581	-60	27	100	96	97	1	1.8	0.7
BHSRC007	685114	7155443	572	-60	24	220	27	30	3	37.7	2.1
							35	37	2	5.0	1.4
BHSRC008	685241	7155624	575	-60	24	200	144	145	1	1.9	0.7
BHSRC009	685217	7155569	574	-60	24	220	166	176	10	2.0	7
						Including	166	172	6	3.0	4.2
						and	175	176	1	1.1	0.7
BHSRC010	685192	7155515	569	-60	24	260	239	240	1	2.2	0.7
BHSRC011	685168	7155460	570	-60	24	300	0	1	1	1.4	0.7
BHSRC012	685361	7155661	572	-60	24	120	62	74	12	6.4	8.4
						Including	62	64	2	2.1	1.4
						and	65	74	9	8.1	6.3
BHSRC013	685342	7155617	571	-60	24	150	98	99	1	1.8	0.7
BHSRC014	685290	7155536	571	-60	24	250	224	226	2	6.5	1.4
BHSRC016	685241	7155427	568	-60	24	186	84	86	2	7.1	1.4
BHSRC017	685511	7155523	567	-60	24	170	62	65	3	11.8	2.1
							79	80	1	1.2	0.7
							87	88	1	2.3	0.7
							111	112	1	1.0	0.7
							116	119	3	1.5	2.1
BHSRC018	685492	7155479	567	-60	24	190	62	63	1	2.3	0.7
BHSRC020	685661	7155576	569	-60	24	130	51	52	1	2.3	0.7
BHSRC021	685637	7155522	569	-60	24	180	80	82	2	14.7	1.4
							168	170	2	2.1	1.4
							177	180	3	3.5	2.1
BHSRC022	685612	7155467	568	-60	24	240	138	139	1	1.3	0.7
							171	172	1	1.7	0.7
							179	180	1	3.5	0.7
							187	188	1	1.5	0.7
BHSRC023	685588	7155412	567	-60	24	290	168	169	1	1.4	0.7
							175	176	1	1.0	0.7
							186	187	1	2.1	0.7
BHSRC024	685720	7155515	567	-60	24	170	54	55	1	1.1	0.7
							82	83	1	1.1	0.7
							84	86	2	1.2	1.4
							134	135	1	1.1	0.7
BHSRC026	685672	7155405	566	-60	24	320	190	191	1	1.1	0.7
							228	229	1	1.5	0.7
							240	241	1	1.3	0.7
BHSRC028	685299	7155421	568	-60	24	80	0	3	3	5.2	2.1
							56	60	4	142.3	2.8
BHSRC039	685106	7155425	572	-60	24	80	50	54	4	13.5	2.8
BHSRC042	685134	7155390	572	-60	24	130	70	71	1	1.5	0.7
BHSRC045	685061	7155423	575	-60	24	90	25	26	1	1.6	0.7

NB. 1.0g/t Au lower grade cut-off, no upper cut-off grade, maximum 1m internal waste, all >1g/t Au intercepts reported.

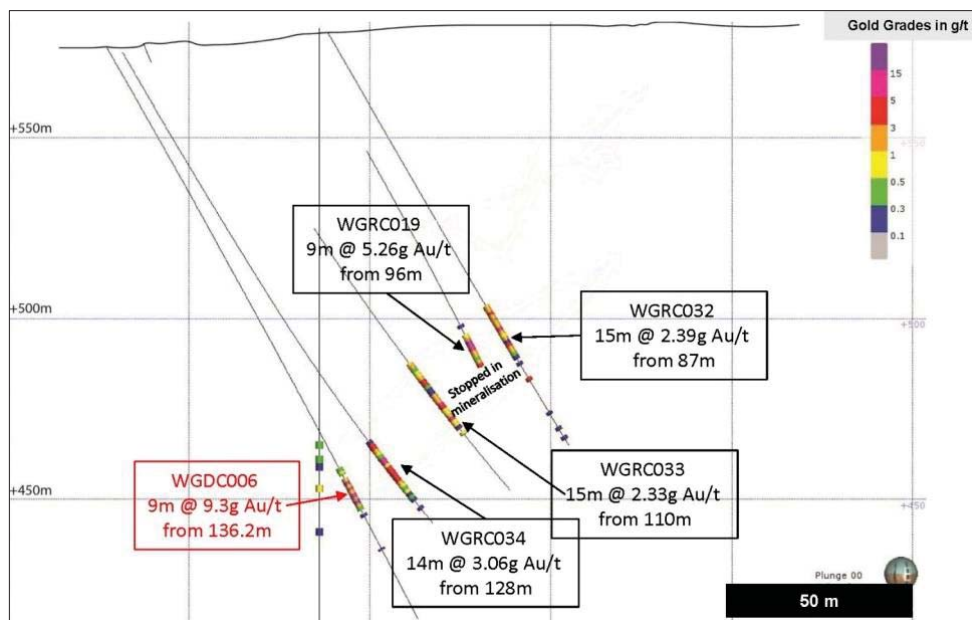
As part of the preparation for an updated resource model for Hermes South, Billabong conducted a review of the existing diamond drill core in order to obtain accurate specific gravity measurements. This work

<sup>22</sup> Refer to Alchemy Resources ASX Announcement dated 15 June 2018



## Review of Activities

identified a number of geotechnical holes which had not been previously sampled and assayed for gold. One of the holes analysed was WGDC006 which returned **9m @ 9.3g/t Au from 136.2m**<sup>23</sup> (Figure 24).



**Figure 24:** Hermes South (Wilgeena) cross section showing recent Alchemy diamond hole sampling intercept (red) and historic Alchemy drill intercepts (drill hole traces coloured by Au g/t).

The WGDC006 intercept and several of the intercepts obtained from the Billabong RC drilling confirm the presence of high grade, moderately east plunging ore shoots at Hermes South that remain open at depth. Mineralisation at the deposit shows excellent potential for further drilling to expand the known resource and possibly become an open pit and part of the production profile for the Plutonic Gold Operation. The resource is strategically located and can be readily serviced by extending the existing Hermes haul road that links Plutonic to the Hermes deposit.

The Seaborg and Central Bore gold prospects are two other high priority targets that have previously returned high-grade gold results. Based on drilling results to date, gold mineralisation at Seaborg and Central Bore remains open at depth and potentially along strike, and targeted deeper drilling is required.

Data interpretation and target delineation work based on multi-element assay results for 1,320 pulps obtained from shallow regional RAB drilling conducted across the central and eastern project areas with previous gold only analysis continued throughout the year. The analysis aims to determine vectors towards buried targets across the Bryah Basin JV area.

<sup>23</sup> Refer to Superior Gold Inc. TSX announcement dated 21 March 2018

## Review of Activities

---

### Corporate

#### **Entitlement Issue**

A pro-rata non-renounceable 1 for 4 Rights Issue of 88,083,896 ordinary fully paid shares at a price of \$0.015 per share was successfully completed in July 2018, raising \$1,321,258 (before costs).

#### **Junior Minerals Exploration Incentive**

During the year the Australian Taxation Office advised that Alchemy's application to participate in the JMEI scheme for the 2018/2019 tax year had been accepted and the Company has received an allocation of up to \$330,000 in tax credits which can be distributed to eligible shareholders.

Eligible investors must be Australian resident shareholders who apply for and are issued new shares in Alchemy's capital raising activities between 16 June 2018 ("Record date") and 30 June 2019. JMEI credits will be distributed to all eligible investors on a pro-rata basis. Eligible Shareholders who participated in the Company's pro-rata non-renounceable Rights Issue may be entitled to a JMEI credit.

#### **Competent Person's Statement**

*The information in this report that relates to Exploration Results is based on information compiled by Leigh Ryan, who is the Managing Director and security holder of Alchemy Resources Limited. Mr Ryan is a Member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ('JORC Code 2012'). Mr Ryan consents to the inclusion in this report of the matters based on information in the form and context in which it appears.*

*The information in this report that relates to Mineral Resources at the Hermes South Gold Deposit is based on information compiled by Stephen Godfrey, who is an employee of Resource Evaluation Services Pty Ltd, a consultant to Alchemy Resources Limited. Mr Godfrey is a Member of the Australian Institute of Geoscientists and the Australasian Institute of Mining and Metallurgy and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ('JORC Code 2012'). Mr Godfrey consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

## Directors' Report

---

Your directors present their report on the consolidated entity consisting of Alchemy Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2018. Throughout the report, the consolidated entity is referred to as the Group.

### Directors

The following persons were directors of Alchemy Resources Limited during the whole of the financial year and up to the date of this report unless noted otherwise:

Lindsay Dudfield  
Leigh Ryan  
Liza Carpena  
Anthony Ho

### Principal activities

During the year the principal activity of the Group was exploration for gold, base metals and cobalt. During the year there was no change in the nature of this activity.

### Financial results

The consolidated loss of the Group after providing for income tax for the year ended 30 June 2018 was \$528,830 (2017: \$753,348).

### Dividends

No dividends have been paid or declared since the start of the financial year. No recommendation for the payment of a dividend has been made by the Directors.

### Operations and financial review

Information on the operations of the Group and its prospects is set out in the "Review of Activities" section of this Annual Report.

Exploration and evaluation costs totalling \$65,528 (2017: \$311,778) were expensed during the year in accordance with the Group's accounting policy. The expensed exploration and evaluation costs primarily comprise previously capitalised costs in relation to relinquished tenements.

As at 30 June 2018 the Group had net assets of \$14,437,642 (2017: \$14,675,228) including cash and cash equivalents of \$742,854 (2017: \$1,996,679).

## Directors' Report

---

### Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

In April 2018 the Company exercised an Option Agreement with Heron Resources Limited (ASX: HRR) ("Heron") to include licences EL8631 (West Lynn) and EL8711 (Woodsreef) into the existing Alchemy / Heron NSW Farm-In and Joint Venture Agreement, enabling Alchemy to earn an 80% interest in all eight NSW licences (including the two new licences) by spending \$1.5M over the remaining 3 year period. The consideration paid to Heron was 10,000,000 fully paid ordinary shares in the Company and 10,000,000 unlisted options in the Company. The options are exercisable at \$0.05 on or before 15 April 2021.

There were no other significant changes in the state of affairs of the Group during the financial year.

### Events since the end of the financial year

On 23 July 2018 the Company completed the issue of 88,083,896 new Shares pursuant to a pro-rata non-renounceable entitlement and shortfall offer to eligible shareholders of 1 new Share for every 4 existing Shares held at an issue price of \$0.015 per share raising \$1,321,258 (before costs).

In August 2018 the Company signed a Deed of Covenant - Letter Agreement ("Agreement") allowing Sandfire Resources NL (ASX: SFR) ("Sandfire") to explore and earn an interest in the Bryah Basin Project by acquiring Independence Group NL's (ASX: IGO) ("IGO") current Bryah Basin Project Farm-in Rights.

The Agreement transfers all of IGO's rights and remaining obligations associated with the original Letter Agreement between Alchemy and IGO dated 29 January 2014 to Sandfire (refer to Alchemy's Resources ASX Announcement dated 30 January 2014), which includes 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. The Agreement retains an earn-in expiry date of 28 October 2019, and IGO's total spend on the project at August 2018 was approximately \$3.9M of which approximately \$1M was the initial spend, with \$2.9M contributing towards the earn-in amount and a \$3.1M spend remaining in order to earn up to an 80% interest.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations, the results of those operations, or the state of affairs of the Group in future financial years.

### Likely developments and expected results of operations

The Directors are not aware of any developments that might have a significant effect on the operations of the Group in subsequent financial years not already disclosed in this report.

### Environmental regulation

The Group is subject to significant environmental regulation in respect of its exploration activities. Tenements in Western Australia are granted subject to adherence to environmental conditions with strict controls on clearing, including a prohibition on the use of mechanised equipment or development without the approval of the relevant Government agencies, and with rehabilitation required on completion of exploration activities. These regulations are controlled by the Department of Mines and Petroleum.



## Directors' Report

Alchemy Resources Limited conducts its exploration activities in an environmentally sensitive manner and the Group is not aware of any breach of statutory conditions or obligations.

### Greenhouse gas and energy data reporting requirements

The Directors have considered compliance with both the *Energy Efficiency Opportunity Act 2006* and the *National Greenhouse and Energy Reporting Act 2007* which requires entities to report annual greenhouse gas emissions and energy use. The Directors have assessed that there are no current reporting requirements for the year ended 30 June 2018, however reporting requirements may change in the future.

### Information on directors

The following information is current as at the date of this report.

<b>L Dudfield</b> <i>Chair - non-executive (appointed director 25 November 2011, Chair since 1 June 2017)</i>		
Experience and expertise	Mr Dudfield is a qualified geologist with over 35 years' experience exploring for gold and base metals in Australia and abroad, including close involvement with a number of greenfields discoveries. He was a founding director of Jindalee Resources, Alchemy's third largest shareholder, and is currently an Executive Director of Jindalee. Mr Dudfield is a member of the Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists, the Geological Society of Australia and the Society of Economic Geologists.	
Other current directorships	Executive Director of Jindalee Resources Limited (director since 1996) Non-executive director of Energy Metals Limited (director since 2004)	
Former directorships in last 3 years	None	
Special responsibilities	Member of the Audit Committee	
Interests in shares and options	Ordinary Shares – Alchemy Resources Limited	55,432,342

<b>L Ryan</b> <i>Managing director (appointed 9 January 2017)</i>		
Experience and expertise	Mr Ryan is a qualified geologist with 30 years of experience in the exploration and resource industry, specifically focused on project evaluation, exploration management and executive management roles throughout Australia and Africa. He has been involved in the discovery and resource definition of numerous gold and base metal deposits and has successfully negotiated many joint venture agreements, purchase option agreements and other corporate transactions.  Mr Ryan was previously the Managing Director of Chrysalis Resources Limited and Boss Resources Limited, and prior to that was Resolute Mining Limited's Group Exploration Manager for Africa and Australia. He has worked extensively in WA, Queensland, NSW, Zambia, Tanzania, Burkina Faso, Mali, and Cote d'Ivoire and is a member of the Australian Institute of Geoscientists and has recently completed a graduate certificate in Mineral Economics at the Curtin School of Business, Western Australia.	
Other current directorships	Non-executive director of Peppermint Innovation Limited (formerly Chrysalis Resources Limited) (director since 2014)	

## Directors' Report

Former directorships in last 3 years	None	
Special responsibilities	Managing Director	
Interests in shares and options	Ordinary Shares – Alchemy Resources Limited	625,000
	Unlisted Options – Alchemy Resources Limited	12,000,000

### **L Carpeno** *Non-executive director (appointed 18 March 2015)*

Experience and expertise	<p>Ms Carpeno has worked in the resources industry for more than 20 years and has significant experience in acquisitions, corporate administration, HR, legal, IT and stakeholder relations. Ms Carpeno spent five years on the Executive Team of Northern Star Resources Limited as Company Secretary and Head of Environment and Social Responsibility ceasing in February 2018.</p> <p>Prior to Northern Star, Ms Carpeno was Company Secretary/CFO for listed explorers Venturex Resources and Newland Resources, and previously held various site and Perth based management roles with Great Central Mines, Normandy Mining, Newmont Australia, Agincourt Resources and Oxiana.</p>	
Other current directorships	Mincor Resources NL (appointed 16 April 2018)	
Former directorships in last 3 years	None	
Special responsibilities	Member of the Audit Committee	
Interests in shares and options	Ordinary Shares – Alchemy Resources Limited	Nil

### **A Ho** *Independent non-executive director (appointed 25 November 2011)*

Experience and expertise	<p>Mr Ho is a Chartered Accountant and a partner in a consulting firm focused principally on corporate and financial services to listed companies. He has significant experience in the resource industry, having served as director and secretary of companies listed on ASX.</p>	
Other current directorships	<p>Executive director of Newfield Resources Limited (director since 2011)</p> <p>Non-executive director of Australian Agricultural Projects Australia Limited (director since 2003)</p> <p>Non-executive director of Mustera Property Group Limited (director since 2014)</p>	
Former directorships in last 3 years	None	
Special responsibilities	Chair of the Audit Committee	
Interests in shares and options	Ordinary Shares – Alchemy Resources Limited	Nil

## Directors' Report

---

### Company secretary

Mr Bernard Crawford was appointed Company Secretary on 1 December 2010. Mr Crawford is a Chartered Accountant with over 20 years' experience in the resources industry in Australia and overseas. He has held various positions in finance and management with NYSE, TSX and ASX listed companies.

### Meetings of directors

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Board of Directors		Audit Committee	
	A	B	A	B
L Dudfield	6	6	1	1
L Ryan	6	6	*	*
L Carpine	6	6	1	1
A Ho	6	6	1	1

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

\* = Not a member of the relevant committee

### Retirement, election and continuation in office of directors

Mr Dudfield and Ms Carpine, being directors retiring by rotation who, being eligible, will offer themselves for re-election at the Annual General Meeting.

### REMUNERATION REPORT (Audited)

The directors present the Alchemy Resources Limited 2018 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report contains the following sections:

- (a) Key management personnel covered in this report
- (b) Remuneration governance and the use of remuneration consultants
- (c) Executive remuneration policy and framework
- (d) Relationship between remuneration and the Group's performance
- (e) Non-executive director remuneration policy
- (f) Voting and comments made at the Company's 2017 Annual General Meeting
- (g) Details of remuneration
- (h) Service agreements
- (i) Details of share-based compensation and bonuses
- (j) Equity instruments held by key management personnel
- (k) Loans to key management personnel
- (l) Other transactions with key management personnel

## Directors' Report

### (a) Key management personnel covered in this report

<i>Non-executive and executive directors (see pages 35 to 36 for details about each director)</i>	
L Dudfield	Chair – Non-executive
L Ryan	Managing director
L Carpene	Non-executive director
A Ho	Non-executive director

#### *Other key management personnel*

Name	Position
B Crawford	Company Secretary and Chief Financial Officer

### (b) Remuneration governance and the use of remuneration consultants

The Board is responsible for the Company's remuneration policy and structure. This is considered at least annually to ensure it remains aligned to the Company's needs. The Board's objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company. In addition, all matters of remuneration will continue to be in accordance with the Corporations Act requirements, especially with regard to related party transactions. None of the directors participate in any deliberations regarding their own remuneration or related issues.

Independent external advice is sought from remuneration consultants when required, however no advice has been sought during the year ended 30 June 2018.

### (c) Executive remuneration policy and framework

In determining executive remuneration, the Board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the Company to attract and retain key talent;
- aligned to the Company's strategic and business objectives and the creation of shareholder value;
- transparent and easily understood; and
- acceptable to shareholders.

All executives receive consulting fees or a salary, part of which may be taken as superannuation, and from time to time, options. The Board reviews executive packages annually by reference to the executive's performance and comparable information from industry sectors and other listed companies in similar industries.

All remuneration paid to specified executives is valued at the cost to the Group and expensed. Options are valued using a Black-Scholes option pricing model.

### (d) Relationship between remuneration and the Group's performance

Emoluments of Directors are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of directors. Fees paid to directors are not linked to the performance of the Group. This policy may change once the exploration phase is complete and the



## Directors' Report

---

Group is generating revenue. At present the existing remuneration policy is not impacted by the Group's performance including earnings and changes in shareholder wealth (e.g. changes in share price).

The Board has not set short term performance indicators, such as movements in the Company's share price, for the determination of director emoluments as the Board believes this may encourage performance which is not in the long term interests of the Company and its shareholders. The Board has structured its remuneration arrangements in such a way it believes is in the best interests of building shareholder wealth in the longer term. The Board believes participation in the Company's Incentive Option Scheme motivates key management and executives with the long term interests of shareholders.

### **(e) Non-executive director remuneration policy**

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration relevant to the office of director.

The Board policy is to remunerate non-executive directors at commercial market rates for comparable companies for their time, commitment and responsibilities. Non-executive directors receive a Board fee but do not receive fees for chairing or participating on Board committees. Board members are allocated superannuation guarantee contributions as required by law, and do not receive any other retirement benefits. From time to time, some individuals may choose to sacrifice their salary or consulting fees to increase payments towards superannuation.

The maximum annual aggregate non-executive directors' fee pool limit is \$250,000 and was approved by shareholders at the Annual General Meeting held on 22 July 2008.

Fees for non-executive directors are not linked to the performance of the Group. Non-executive directors' remuneration may also include an incentive portion consisting of options, subject to approval by shareholders.

### **(f) Voting and comments made at the Company's 2017 Annual General Meeting**

Alchemy Resources Limited received more than 92% of "yes" votes on its remuneration report for the 2017 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

## Directors' Report

### (g) Details of remuneration

The following tables show details of the remuneration received by the Group's key management personnel for the current and previous financial year.

2018	Short-term benefits			Post-employment benefits	Share-based payment		
Name	Salary and Fees \$	Cash Bonus \$	Non-Monetary Benefit \$	Super-annuation \$	Options \$	Total \$	Perf. related %
<b>Directors</b>							
L Dudfield	20,000	-	-	-	-	20,000	-
L Ryan	150,000	50,000 <sup>(1)</sup>	-	14,250	32,244	246,494	13.1
L Carpene	-	-	-	-	-	-	-
A Ho	19,998	-	-	-	-	19,998	-
<b>Executives</b>							
B Crawford	63,600	-	-	-	-	63,600	-
Totals	253,598	50,000	-	14,250	32,244	350,092	

(1) Bonus for completion of twelve months service in January 2018. Of this \$10,000 was payable at 30 June 2018

2017	Short-term benefits			Post-employment benefits	Share-based payment		
Name	Salary and Fees \$	Cash Bonus \$	Non-Monetary Benefit \$	Super-annuation \$	Options \$	Total \$	Perf. related %
<b>Directors</b>							
L Dudfield	-	-	-	-	-	-	-
L Ryan <sup>(1)</sup>	72,260	-	-	6,865	21,913	101,038	21.7
L Carpene	-	-	-	-	-	-	-
A Ho	19,998	-	-	-	-	19,998	-
O Aamodt <sup>(2)</sup>	22,916	-	-	-	-	22,916	-
<b>Executives</b>							
K Cassidy <sup>(3)</sup>	85,440	-	-	8,117	-	93,557	-
B Crawford	80,400	-	-	-	-	80,400	-
Totals	281,014	-	-	14,982	21,913	317,909	

(1) Appointed 9 January 2017

(2) Resigned 1 June 2017

(3) Resigned 22 December 2016

## Directors' Report

---

### (h) Service agreements

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms of appointment, including compensation relevant to the office of director. Remuneration and other terms of employment for other members of key management personnel are formalised in service agreements as summarised below.

#### *L Ryan, Managing Director*

Mr Ryan is remunerated pursuant to an ongoing Executive Service Agreement under which he is paid a base salary of \$150,000 plus superannuation. Mr Ryan was entitled to a bonus of \$50,000 for completion of twelve months service in January 2018, of which \$40,000 had been paid at the end of the reporting period. The Executive Service Agreement has no fixed term and either party can terminate the Agreement (without cause) with three months' notice.

#### *B Crawford, Chief Financial Officer and Company Secretary*

Mr Crawford is remunerated pursuant to the terms of a Consultancy Agreement to fulfil the duties of the Company Secretary and Chief Financial Officer. Fees paid during the year totalled \$63,600 and were charged at usual commercial rates on a daily basis. The agreement may be terminated by either party on three months' written notice.

### (i) Details of share-based compensation and bonuses

#### *Options*

Options over ordinary shares in Alchemy Resources Limited are granted under the Incentive Option Scheme. Participation in the scheme and any vesting criteria are at the Board's discretion and no individual has a contractual right to participate in the scheme or to receive any guaranteed benefits. Any options issued to directors of the Company are subject to shareholder approval.

The terms and conditions of each grant of options affecting remuneration in the current or future reporting periods are set out below.

## Directors' Report

Option series	Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	% Vested
12	9 Jan 2017	8 Jan 2018	8 Jan 2021	\$0.04	\$0.0075	100%
13	9 Jan 2017	8 Jan 2019	8 Jan 2021	\$0.08	\$0.0054	0%
14	9 Jan 2017	8 Jan 2020	8 Jan 2021	\$0.12	\$0.0042	0%

The fair value of options at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of options granted is recognised as an employee benefits 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.

Further information on the fair value of share options and assumptions is set out in note 22 to the financial statements.

### (j) Equity instruments held by key management personnel

The following tables detail the number of fully paid ordinary shares and options over ordinary shares in the Company that were held during the financial year and the previous financial year by key management personnel of the Group, including their close family members and entities related to them.

#### Options

	Opening Balance 1 July	Granted as remuneration	Options exercised	Net change other	Balance at 30 June	Vested but not exercisable	Vested and exercisable	Unvested
<b>2018</b>								
<b>Executives</b>								
L Ryan	-	12,000,000 <sup>(1)</sup>	-	-	12,000,000	-	4,000,000	8,000,000
B Crawford	300,000	-	-	(300,000) <sup>(2)</sup>	-	-	-	-
	300,000	12,000,000	-	(300,000)	12,000,000	-	4,000,000	8,000,000

(1) Approved by shareholders at the 2017 Annual General Meeting

(2) Expiry of options

During the year, no ordinary shares in the Company were provided as a result of the exercise of remuneration options.



## Directors' Report

### Shareholdings

	Opening Balance 1 July	Granted as remuneration	Options exercised	Net change other	Balance at 30 June
<b>2018</b>					
<b>Directors</b>					
L Dudfield	36,741,190	-	-	1,015,605 <sup>(1)</sup>	37,756,795
L Ryan	500,000	-	-	-	500,000
<b>Executives</b>					
B Crawford	1,000,000	-	-	-	1,000,000
	<u>38,241,190</u>	<u>-</u>	<u>-</u>	<u>1,015,605</u>	<u>39,256,795</u>

(1) On market purchase of shares

### (k) Loans to key management personnel

There were no loans to individuals or members of key management personnel during the financial year or the previous financial year.

### (l) Other transactions with key management personnel

The wife of Mr L Ryan, the Managing Director, provided geological drafting and data mapping services to the Company to the value of \$2,235 (2017: \$495). The services were provided on normal commercial terms and conditions.

There were no other transactions with key management personnel during the financial year or the previous financial year.

### End of Remuneration Report (Audited)

#### Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows:

Date options granted	Expiry Date	Issue price of shares	Number under option
1 June 2016	31 May 2019	\$0.10	2,500,000
28 June 2016	31 May 2019	\$0.10	5,000,000
27 November 2017	8 January 2021	\$0.04	4,000,000
27 November 2017	8 January 2021	\$0.08	4,000,000
27 November 2017	8 January 2021	\$0.12	4,000,000
16 April 2018	15 April 2021	\$0.05	10,000,000
			<u>29,500,000</u>

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

#### Shares issued on the exercise of options

There were no shares issued on the exercise of options during the year and up to the date of this report.

## Directors' Report

---

### Corporate Governance Statement

The Company's 2018 Corporate Governance Statement has been released as a separate document and is located on the Company's website at <http://alchemyresources.com.au/corporate-governance>.

### 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 Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Indemnification and Insurance of Directors and Officers

During the financial year, the Company paid a premium to insure the directors and officers of the consolidated entity against any liability incurred as a director or officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits the disclosure of the nature of the liabilities covered or the amount of the premium paid.

The Group has not entered into any agreement with its current auditors indemnifying them against claims by a third party arising from their position as auditor.

### Non-Audit Services

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

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit and non-audit services provided during the year are set out in note 17. During the year ended 30 June 2018 no fees were paid or were payable for non-audit services provided by the auditor of the consolidated entity (2017: \$Nil).

### 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 the following page.

Signed in accordance with a resolution of the Directors



**Lindsay Dudfield**  
**Chairman**  
Perth, 19 September 2018

## DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF ALCHEMY RESOURCES LIMITED

As lead auditor of Alchemy Resources Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Alchemy Resources Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 19 September 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

		Consolidated	
	Notes	2018 \$	2017 \$
<b>Continuing operations</b>			
Other income	3	36,111	17,421
Corporate expense	3	(172,422)	(169,064)
Employee expense	3	(225,833)	(155,862)
Administration expense	3	(101,158)	(134,065)
Exploration expense	9	(65,528)	(311,778)
Finance costs		-	-
<b>Loss from continuing operations before income tax</b>		<b>(528,830)</b>	<b>(753,348)</b>
Income tax benefit	5	-	-
<b>Loss after income tax for the period attributable to the owners of Alchemy Resources Limited</b>		<b>(528,830)</b>	<b>(753,348)</b>
Other comprehensive income		-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period attributable to the owners of Alchemy Resources Limited</b>		<b>(528,830)</b>	<b>(753,348)</b>
		<b>Cents per share</b>	<b>Cents per share</b>
<b>Loss per share attributable to the owners of Alchemy Resources Limited</b>			
- basic loss per share	16	(0.15)	(0.31)
- diluted loss per share	16	n/a	n/a

This Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes



# Consolidated Statement of Financial Position

At 30 June 2018

		Consolidated	
	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	742,854	1,996,679
Trade and other receivables	7	18,392	19,575
Other current assets	8	4,745	-
<b>Total Current Assets</b>		<b>765,991</b>	<b>2,016,254</b>
<b>Non-Current Assets</b>			
Exploration and evaluation	9	13,824,978	12,759,016
Property, plant and equipment		3,496	1,201
<b>Total Non-Current Assets</b>		<b>13,828,474</b>	<b>12,760,217</b>
<b>TOTAL ASSETS</b>		<b>14,594,465</b>	<b>14,776,471</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	135,440	93,261
Provisions	12	21,383	7,982
<b>Total Current Liabilities</b>		<b>156,823</b>	<b>101,243</b>
<b>TOTAL LIABILITIES</b>		<b>156,823</b>	<b>101,243</b>
<b>NET ASSETS</b>		<b>14,437,642</b>	<b>14,675,228</b>
<b>EQUITY</b>			
Contributed equity	13	31,104,072	30,914,072
Reserves	14	182,417	525,820
Accumulated losses	15	(16,848,847)	(16,764,664)
<b>TOTAL EQUITY</b>		<b>14,437,642</b>	<b>14,675,228</b>

This Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Attributable to equity holders of the entity			
	Issued Capital	Option Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
<b>At 1 July 2016</b>	<b>29,313,022</b>	<b>503,907</b>	<b>(16,011,316)</b>	<b>13,805,613</b>
Loss for the year	-	-	(753,348)	(753,348)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>(753,348)</b>	<b>(753,348)</b>
<b>Transactions with owners in their capacity as owners</b>				
Share based payment		21,913		21,913
Issue of shares	1,673,213	-	-	1,673,213
Transaction costs of issuing shares	(72,163)	-	-	(72,163)
<b>At 30 June 2017</b>	<b>30,914,072</b>	<b>525,820</b>	<b>(16,764,664)</b>	<b>14,675,228</b>
	Attributable to equity holders of the entity			
	Issued Capital	Option Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
<b>At 1 July 2017</b>	<b>30,914,072</b>	<b>525,820</b>	<b>(16,764,664)</b>	<b>14,675,228</b>
Loss for the year	-	-	(528,830)	(528,830)
Other comprehensive income	-	-	-	-
<b>Total comprehensive loss for the period net of tax</b>	<b>-</b>	<b>-</b>	<b>(528,830)</b>	<b>(528,830)</b>
<b>Transactions with owners in their capacity as owners</b>				
Transfer from option reserve to accumulated losses		(444,647)	444,647	-
Share based payment		32,244		32,244
Issue of shares to Heron Resources	190,000	-	-	190,000
Issue of options to Heron Resources	-	69,000	-	69,000
<b>At 30 June 2018</b>	<b>31,104,072</b>	<b>182,417</b>	<b>(16,848,847)</b>	<b>14,437,642</b>

This Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

## Consolidated Statement of Cash Flows

For the year ended 30 June 2018

		Consolidated	
	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(442,656)	(424,628)
Interest income		26,862	17,832
<b>Net cash flows used in operating activities</b>	23	(415,794)	(406,796)
<b>Cash flows from investing activities</b>			
Purchase of property, plant & equipment		(3,773)	-
Payment for exploration assets		(834,258)	(452,880)
<b>Net cash flows from/(used in) investing activities</b>		(838,031)	(452,880)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	1,673,213
Share issue costs		-	(72,163)
<b>Net cash flows from financing activities</b>		-	1,601,050
Net increase / (decrease) in cash and cash equivalents		(1,253,826)	741,374
Cash and cash equivalents at beginning of period		1,996,679	1,255,305
<b>Cash and cash equivalents at end of period</b>	6	742,854	1,996,679

This Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

---

## 1. Corporate Information

The consolidated financial report of Alchemy Resources Limited for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 19 September 2018.

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

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below and have been applied consistently to all periods presented in the consolidated financial statements and by all entities in the consolidated entity.

## 2. Statement of Compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

### **Compliance with IFRS**

The consolidated financial statements of Alchemy Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### **New and amended accounting standards and interpretations adopted by the Group**

The following standards and interpretations relevant to the operations of the Group and effective from 1 July 2017 have been adopted. The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

- *AASB 2016-1: Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- *AASB 2016-2: Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107, and*
- *AASB 2017-2: Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

### **New accounting standards and interpretations**

The following new and amended accounting standards and interpretations relevant to the operations of the Group have been published but are not mandatory for the current financial year. The Group has decided against early adoption of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

New or revised requirement	Application date of standard	Application date for Group
<p><b>AASB 9: <i>Financial Instruments</i></b></p> <p>AASB 9 replaces AASB 139: <i>Financial Instruments: Recognition and Measurement</i>. The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.</p>	1 Jan 2018	1 Jul 2018
<p><b>AASB 15: <i>Revenue from Contracts with Customers</i></b></p> <p>The objective of this Standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer.</p> <p>The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.</p>	1 Jan 2018	1 Jul 2018
<p><b>AASB 2016-5: <i>Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions</i></b></p> <p>This Standard amends AASB 2: <i>Share-based Payment</i>, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>• The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;</li> <li>• Share-based payment transactions with a net settlement feature for withholding tax obligations; and</li> <li>• A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul> <p>The entity is yet to undertake a detailed assessment of the impact of AASB 2016-5. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.</p>	1 Jan 2018	1 Jul 2018

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

New or revised requirement	Application date of standard	Application date for Group
<p>AASB 16: <i>Leases</i></p> <p>This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.</p> <p>The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.</p>	1 Jan 2019	1 Jul 2019

### (a) Basis of measurement

#### *Historical Cost Convention*

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

#### *Critical Accounting Estimates*

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group'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) Going Concern

These consolidated financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

On 23 July 2018 the Company completed the issue of 88,083,896 new Shares pursuant to a pro-rata non-renounceable entitlement and shortfall offer to eligible shareholders of 1 new Share for every 4 existing Shares held at an issue price of \$0.015 per share raising \$1,321,258 (before costs).

### (c) Principles of consolidation

#### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2018 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

---

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

The acquisition method of accounting is used to account for business combinations by the Group.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the consolidated statement of changes in equity respectively.

### *Joint arrangements*

Under AASB 11: *Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

### **(d) Critical accounting judgements and key sources of estimation uncertainty**

The application of accounting policies requires the use of judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### **(e) Functional and presentation of currency**

The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

---

assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss and other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

### **(f) Leases**

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### **(g) Impairment of assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested 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 cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

---

### (h) Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$	\$
<b>3. Revenue and Expenses</b>		
<b>Other income</b>		
Interest	26,661	17,421
Other	9,450	-
<b>Total other income</b>	<b>36,111</b>	<b>17,421</b>
<b>Expenses</b>		
<i>Corporate expense</i>		
Company secretary fees	63,600	80,400
Other corporate expenses	108,822	88,664
<b>Total corporate expense</b>	<b>172,422</b>	<b>169,064</b>
<i>Employee expense</i>		
Employee benefit and director compensation expense	189,188	108,006
Expense of share based payments (note 22)	32,244	21,913
Other employee expenses	4,401	25,943
<b>Total employee expense</b>	<b>225,833</b>	<b>155,862</b>
<i>Administration expense</i>		
Depreciation (note 23)	1,478	17,128
Occupancy	24,239	35,770
Loss / (gain) on sale of assets	-	-
Other administration expenses	75,441	81,167
<b>Total administration expense</b>	<b>101,158</b>	<b>134,065</b>

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Interest income is recognised as it accrues.

### 4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Alchemy Resources Limited.

The Group operates in one geographical segment, being Australia and in one operating category, being mineral exploration. Therefore, information reported to the chief operating decision maker (the Board of Alchemy Resources Limited) for the purposes of resource allocation and performance assessment is focused on mineral exploration within Australia.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$	\$
<b>5. Income Tax</b>		
Major components of income tax expense are as follows:		
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>		
<b>Current income tax</b>		
- At the rate of 27.5% (2017: 27.5%)	-	-
- Current income tax charge	-	-
<b>Deferred income tax</b>		
- Relating to origination and reversal of temporary differences	-	-
- Utilisation of prior year tax losses	-	-
Income tax expense / (benefit) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	-	-
A reconciliation of income tax expense / (benefit) applicable to accounting profit / (loss) before income tax at the statutory income tax rate to income tax expense / (benefit) at the Company's effective income tax is as follows:		
Accounting loss from continuing operations before income tax	(528,831)	(753,348)
At the statutory income tax rate of 27.5% (2017: 27.5%)	(145,428)	(207,171)
Add		
- Non-deductible expenses	3,092	117
- Share based payment	8,867	6,026
- Tax loss not brought to account as a deferred tax asset	137,616	207,770
- Capital raising costs	(4,147)	(6,742)
Income tax expense / (benefit) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	-	-

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$	\$
<b>5. Income Tax (continued)</b>		
<b>Deferred income tax</b>		
Recognised on the statement of financial position		
Deferred income tax at the end of the reporting period relates to the following:		
<i>Deferred income tax liabilities</i>		
- Capitalised expenditure deductible for tax purposes	3,717,512	3,495,597
- Trade and other receivables	1,305	55
	<b>3,718,817</b>	<b>3,495,652</b>
<i>Deferred income tax assets</i>		
- Trade and other payables	(5,376)	(5,334)
- Employee benefits	(6,382)	(2,195)
- Capitalised expenditure non-deductible for tax purposes	(13,524)	(14,802)
- Tax losses available to offset DTL	(3,693,535)	(3,473,321)
<i>Net deferred tax asset / (liability)</i>	<b>-</b>	<b>-</b>

### Tax Consolidation

The Company and its 100% owned controlled entities have formed a tax consolidated group. The head entity of the tax consolidated group is Alchemy Resources Limited.

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.

On 30 June 2018, Alchemy Resources Limited had \$30,248,137 (2017: \$28,962,023) of tax losses that are available indefinitely for offset against future taxable profits subject to satisfaction of the loss tests. No deferred tax asset has been recognised in the Consolidated Statement of Financial Position in respect of the amount of either these losses or other deferred tax expenses. Should the Company not satisfy the Continuity of Ownership Test, the Company will be able to utilise the losses to the extent that it satisfies the Same Business Test.

In the 2018 income year, the Government had enacted a change in the company tax rate based on the type of entity. A company which satisfies a base rate entity test must apply the lower tax rate of 27.5%. A base rate entity is a company that both has an aggregate turnover less than \$25M for the 2018 income year and is carrying on a business. Alchemy Resources Limited satisfies the criteria to be a base rate entity. However, currently there is a Bill before the Senate that may alter the position of the tax rate for Alchemy. The retrospective impact, when enacted, will be only on the amount of deferred tax asset, albeit no amount is disclosed.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$	\$
<b>6. Cash and cash equivalents</b>		
Cash at bank and on hand	126,354	480,179
Deposits at call	616,500	1,516,500
	<b>742,854</b>	<b>1,996,679</b>

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 six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The weighted average interest rate for the year was 1.72% (2017: 1.87%).

The Group's exposure to interest rate risk is set out in note 21. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

## 7. Trade and other receivables

### Current

GST receivable	18,273	18,413
Other	119	1,162
	<b>18,392</b>	<b>19,575</b>

Trade receivables are normally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amounts held in trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these trade and other receivables, it is expected that these amounts will be received when due. The Group's financial risk management objectives and policies are set out in note 21.

Due to the short term nature of these receivables their carrying value is assumed to approximate their fair value.

## 8. Other current assets

Prepayments	4,745	-
	<b>4,745</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$	\$
<b>9. Exploration and evaluation</b>		
Opening balance	12,759,016	12,627,711
Exploration expenditure incurred during the year	1,131,490	443,083
Exploration expenditure written off	(65,528)	(311,778)
Closing balance	13,824,978	12,759,016

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

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 sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. 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.

Once the technical feasibility and commercial viability of the extraction of minerals 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 mineral 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.

### *Exploration and evaluation costs carried forward*

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, after impairment indicators are identified, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and, if applicable, "value in use".



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 9. Exploration and evaluation (continued)

In determining value in use, future cash flows are based on estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction, production and sales levels, future commodity prices, future capital and production costs and future exchange rates.

Variations to any of these estimates, and timing thereof, could result in significant changes to the expected future cash flows which in turn could result in significant changes to the impairment test results, which in turn could impact future financial results.

### 10. Subsidiaries

Details of the Company's subsidiaries are as follows:

Subsidiary	Principal Activity	Country of Incorporation	Proportion of Ownership	
			2018	2017
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%	100%
Alchemy Resources (NSW) Pty Ltd	Exploration	Australia	100%	100%

Consolidated	
2018	2017
\$	\$

### 11. Trade and other payables

Trade creditors and accruals	<b>135,440</b>	93,261
------------------------------	----------------	--------

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Trade creditors are unsecured, non-interest bearing and are normally settled on 30 day terms. The Group's financial risk management objectives and policies are set out in note 21. Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

### 12. Provisions

<b>Current</b>		
Employee benefits	<b>21,383</b>	7,982

#### *Short-term Obligations*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. All other short-term employee benefit obligations are presented as payables.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

---

### 12. Provisions (continued)

The obligations are presented as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

#### *Other Long-term Obligations*

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period 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 end of the reporting period on national Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$	\$
<b>13. Contributed equity</b>		
<b>a) Share capital</b>		
Ordinary shares fully paid	<b>31,104,072</b>	30,914,072
	Consolidated	
	Number	\$
<b>b) Movements in ordinary shares on issue</b>		
Balance at 1 July 2016	230,788,035	29,313,022
Placement <sup>(1)</sup>	34,618,205	519,273
Non-renounceable issue to shareholders <sup>(2)</sup>	40,586,179	608,793
Placement of non-renounceable issue shortfall shares <sup>(2)</sup>	36,343,166	545,147
Share issue costs	-	(72,163)
<b>Balance at 30 June 2017</b>	<b>342,335,585</b>	<b>30,914,072</b>
Issue of shares to Heron Resources Limited	10,000,000	190,000
<b>Balance at 30 June 2018</b>	<b>352,335,585</b>	<b>31,104,072</b>

(1) On 2 May 2017 the Company completed the placement of 34,618,205 new fully paid ordinary shares ("Shares") at an issue price of \$0.015 to sophisticated investors raising \$519,273 before costs.

(2) On 2 June 2017 the Company completed the issue of 40,586,179 new Shares pursuant to a pro-rata non-renounceable entitlement and shortfall offer ("Issue") to eligible shareholders of 1 new Share for every 3 existing Shares held at an issue price of \$0.015 per share. The remaining 36,413,166 shortfall Shares from the Issue were placed to sophisticated investors at \$0.015 on 16 June 2017 raising \$545,147 before costs.

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. 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.

	Consolidated	
	2018	2017
	Number	Number
<b>c) Movements in options on issue</b>		
Balance at beginning of the financial year	<b>10,500,000</b>	10,500,000
Options granted	<b>22,000,000</b>	-
Options expired	<b>(3,000,000)</b>	-
<b>Balance at end of the financial year</b>	<b>29,500,000</b>	10,500,000

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$	\$
<b>14. Reserves</b>		
<b>Options Reserve</b>		
Opening balance	525,820	503,907
Options issued	101,244	21,913
Transfer from option reserve to accumulated losses	(444,467)	-
Balance at the end of the financial year	182,417	525,820

The options reserve is used to recognise the fair value of options issued to directors, employees and contractors.

### 15. Accumulated losses

Balance at the beginning of the financial year	(16,764,664)	(16,011,316)
Transfer from option reserve to accumulated losses	444,647	-
Net loss attributable to members	(528,830)	(753,348)
Balance at the end of the financial year	(16,848,847)	(16,764,664)

	2018	2017
	Cents	Cents
<b>16. Earnings per share</b>		
- basic loss per share	(0.15)	(0.31)
- diluted loss per share	n/a	n/a

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

	\$	\$
Profits / (losses) used in calculating basic and diluted earnings per share	(528,830)	(753,348)
	2018	2017
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	344,390,380	240,891,298

#### *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 16. Earnings per share (continued)

#### *Diluted earnings per share*

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 additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Consolidated	
	2018 \$	2017 \$
<b>17. Auditor's remuneration</b>		
<b>Audit services</b>		
BDO Audit (WA) Pty Ltd		
- Audit and review of the financial reports	<b>23,892</b>	23,226
Total remuneration	<b>23,892</b>	23,226

### 18. Contingent assets and liabilities

The Group had contingent liabilities at 30 June 2018 in respect of :

#### *Future success and royalty payments*

In 2008 Alchemy Resources Limited ("Alchemy") and Troy Resources Limited ("Troy") entered into an Asset Sale Agreement whereby Alchemy acquired Troy's interest in the Three Rivers Gold Project ("Three Rivers").

Troy retains a 1% Net Smelter Return Royalty on gold production from 50,000 ounces to 70,000 ounces from Three Rivers and a \$0.75 per tonne royalty on iron ore produced from the landholding.

The Group had contingent assets at 30 June 2018 in respect of :

#### *Future royalty payments*

In March 2015 Alchemy completed a Sale and Purchase Agreement with Northern Star Resources Limited ("Northern Star") whereby the tenement containing the Hermes gold resource and adjacent tenements were acquired by Northern Star ("Hermes Tenements").

In October 2016 Northern Star completed the sale of its Plutonic gold operations, which included the Hermes Tenements to Billabong Gold Pty Ltd.

Alchemy retains a 1% of Net Smelter Return Royalty payable on refined gold recovered from the Hermes Tenements in excess of 70,000 ounces and up to 90,000 ounces.

There are no other material contingent assets or liabilities as at 30 June 2018.



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 19. Events occurring after the reporting period

On 23 July 2018 the Company completed the issue of 88,083,896 new Shares pursuant to a pro-rata non-renounceable entitlement and shortfall offer to eligible shareholders of 1 new Share for every 4 existing Shares held at an issue price of \$0.015 per share raising \$1,321,258 (before costs).

In August 2018 the Company signed a Deed of Covenant - Letter Agreement ("Agreement") allowing Sandfire Resources NL (ASX: SFR) ("Sandfire") to explore and earn an interest in the Bryah Basin Project by acquiring Independence Group NL's (ASX: IGO) ("IGO") current Bryah Basin Project Farm-In Rights.

The Agreement transfers all of IGO's rights and remaining obligations associated with the original Letter Agreement between Alchemy and IGO dated 29 January 2014 to Sandfire (Refer to Alchemy Resources ASX Announcement dated 30 January 2014), which includes 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. The Agreement retains an earn-in expiry date of 28 October 2019, and IGO's total spend on the project at August 2018 was approximately \$3.9M of which approximately \$1M was the initial spend, with \$2.9M contributing towards the earn-in amount and a \$3.1M spend remaining in order to earn up to an 80% interest.

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

### 20. Commitments

In order to maintain an interest in the exploration tenements in which the Group is involved, the Group is committed to meet the conditions under which the tenements were granted. The timing and amount of exploration expenditure commitments and obligations of the Group are subject to the minimum expenditure commitments required as per the *Mining Act 1978*, 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 \$1,938,976 (2017: \$2,070,580) per annum. Of this amount \$1,220,180 will be met by the Company's joint venture partners as part of their earn-in obligations.

Commitments in relation to the lease of office premises are payable as follows:

	Consolidated	
	2018	2017
	\$	\$
Within 1 year	7,707	33,246
Later than one year but not later than five years	-	7,707
Later than five years	-	-
	<hr/>	<hr/>
	7,707	40,953

# Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

---

## 21. Financial risk management objectives and policies

### Financial Risk Management

#### *Overview*

The Group has 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 Group's activities.

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

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 21. 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 – 2018	Fixed interest rate maturing in					Total
	Floating interest rate	1 Year or less	Over 1 to 5 years	More than 5 years	Non interest bearing	
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	124,630	616,500	-	-	1,724	742,854
Trade and other receivables	-	-	-	-	18,392	18,392
	124,630	616,500	-	-	20,116	761,246
Weighted average interest rate	0.52%	2.21%	-	-	-	-
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	-	135,440	135,440
	-	-	-	-	135,440	135,440
Weighted average interest rate	-	-	-	-	-	-
Consolidated – 2017	Fixed interest rate maturing in					Total
	Floating interest rate	1 Year or less	Over 1 to 5 years	More than 5 years	Non interest bearing	
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash and cash equivalents	479,157	1,516,500	-	-	1,022	1,996,679
Trade and other receivables	-	-	-	-	19,575	19,575
	479,157	1,516,500	-	-	20,597	2,016,254
Weighted average interest rate	0.63%	2.50%	-	-	-	-
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	-	93,261	93,261
	-	-	-	-	93,261	93,261
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 below:

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 21. Financial risk management objectives and policies (continued)

		Profit or loss		Equity	
	Carrying value at period end	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>Consolidated - 2018</b>	\$	\$	\$	\$	\$
<b>Financial assets</b>	742,854	15,501	(15,501)	15,501	(15,501)
Cash and cash equivalents					
Cash flow sensitivity (net)		15,501	(15,501)	15,501	(15,501)
		Profit or loss		Equity	
	Carrying value at period end	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>Consolidated – 2017</b>	\$	\$	\$	\$	\$
<b>Financial assets</b>	1,996,679	9,325	(9,325)	9,325	(9,325)
Cash and cash equivalents					
Cash flow sensitivity (net)		9,325	(9,325)	9,325	(9,325)

#### **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 carrying 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.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 21. Financial risk management objectives and policies (continued)

#### *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	
	2018	2017
	\$	\$
Cash and cash equivalents	742,854	1,996,679
Trade & other receivables	18,392	19,575
	<b>761,246</b>	<b>2,016,254</b>

#### *Foreign currency risk*

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

#### *Commodity price risk*

The Group's exposure to commodity price risk is minimal at this stage of its operations.

#### *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:



## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 21. Financial risk management objectives and policies (continued)

#### Consolidated – 2018

	Contractual cash flows Carrying amount \$	6 months or less \$
Trade and other payables	135,440	135,440
	<b>135,440</b>	<b>135,440</b>
Receivables	18,392	18,392
	<b>18,392</b>	<b>18,392</b>

	Contractual cash flows Carrying amount \$	6 months or less \$
Trade and other payables	93,261	93,261
	<b>93,261</b>	<b>93,261</b>
Receivables	19,575	19,575
	<b>19,575</b>	<b>19,575</b>

#### ***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 11 & 12 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, offset by accumulated losses detailed in notes 13, 14, & 15).

The Group is not subject to any externally imposed capital requirements. None of the Group's entities are subject to externally imposed capital requirements.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 22. Share based payments

#### a) Share option plan

The Group has an Incentive Option Scheme ("Scheme") for executives and employees of the Group. In accordance with the provisions of the Scheme, as approved by shareholders at a previous annual general meeting, executives and employees may be granted options at the discretion of the directors.

Each 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.

Options issued to directors are not issued under the Scheme but are subject to approval by shareholders.

The Company is party to a Joint Venture Agreement ("Agreement") with Heron Resources (ASX: HRR) ("Heron"), enabling Alchemy to earn an 80% interest in certain NSW licences. In April 2018, the Company exercised an option to include the West Lynn and Woodsreef licences in the Agreement. The consideration paid to Heron was 10,000,000 fully paid ordinary shares in the Company and 10,000,000 unlisted options in the Company. The options are exercisable at \$0.05 on or before 15 April 2021.

The following share-based payment arrangements were in existence during the reporting period:

Option series	Number	Grant date	Expiry date	Vesting date	Exercise price	Fair value at grant date
10 <sup>(1)</sup>	1,500,000	23 Sep 2014	31 Oct 2017	Immediate	\$0.10	\$0.009458
11 <sup>(1)</sup>	1,500,000	23 Sep 2014	31 Oct 2017	Immediate	\$0.20	\$0.007336
12 <sup>(2)</sup>	4,000,000	9 Jan 2017	8 Jan 2021	8 Jan 2018	\$0.04	\$0.0075
13 <sup>(2)</sup>	4,000,000	9 Jan 2017	8 Jan 2021	8 Jan 2019	\$0.08	\$0.0054
14 <sup>(2)</sup>	4,000,000	9 Jan 2017	8 Jan 2021	8 Jan 2020	\$0.12	\$0.0042
14 <sup>(3)</sup>	10,000,000	16 Apr 2018	15 Apr 2021	Immediate	\$0.05	\$0.0069

(1) Options expired on 31 October 2017.

(2) Approved by shareholders at the 2017 Annual General Meeting.

(3) Options issued to Heron Resources Limited.

#### *Fair value of share options granted during the year*

The fair value of share options at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share and the risk free rate for the term of the option. The fair value of share options expensed during the year was \$32,244 (2017: \$21,913)

The fair value of options granted is recognised as an employee benefits 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 value of the 10,000,000 unlisted options issued to Heron Resources (\$69,000) for the inclusion of the West Lynn and Woodsreef licences in the Agreement (refer above) has been capitalised.

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 22. Share based payments (continued)

#### b) *Movements in share options during the year*

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

	2018		2017	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Outstanding at the beginning of the year	10,500,000	0.11	10,500,000	0.11
Granted during the year	22,000,000	0.07	-	-
Expired during the year	(3,000,000)	0.15	-	-
Outstanding at the end of the year	29,500,000	0.07	10,500,000	0.11
Exercisable at the end of the year	21,500,000	0.07	10,500,000	0.11

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.72 years (2017: 1.47 years).

#### c) *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 \$	2018 No.	2017 No.
31 October 2017	0.10	-	1,500,000
31 October 2017	0.20	-	1,500,000
31 May 2019	0.10	7,500,000	7,500,000
8 January 2021	0.04	4,000,000	-
8 January 2021	0.08	4,000,000	-
8 January 2021	0.12	4,000,000	-
15 April 2021	0.05	10,000,000	-
		<b>29,500,000</b>	<b>10,500,000</b>

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

	Consolidated	
	2018	2017
	\$	\$
<b>23. Reconciliation of cash flows from operating activities</b>		
<b>Cash flows from operating activities</b>		
Loss for the period	(528,830)	(753,348)
Non-cash flows in profit/(loss):		
- Depreciation	1,478	17,128
- Share based remuneration	32,244	21,913
- Exploration expenditure write-off	65,528	311,778
Changes in assets and liabilities		
- Decrease/(increase) in trade receivables	5,308	(5,985)
- Decrease/(increase) in prepayments	(4,745)	4,122
- Increase/(decrease) in trade creditors and accruals	(178)	(2,404)
- Increase/(decrease) in provisions	13,401	-
Net cash used in operating activities	(415,794)	(406,796)
<b>Non-cash investing and financing activities</b>		
Acquisition of tenements through issue of shares and options	259,000	-
	259,000	-

During the year the Company issued 10,000,000 shares and 10,000,000 unlisted options to Heron Resources Limited ("Heron") as consideration for the inclusion of the West Lynn and Woodsreef licences into the Joint Venture Agreement with Heron.

## 24. Related party disclosure

	Class	Country of incorporation	Investment at cost 2018 \$	Investment at cost 2017 \$
<b>a) Parent entity</b>				
Alchemy Resources Limited	Ord	Australia	-	-
<b>b) Subsidiaries</b>				
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	1
Alchemy Resources (NSW) Pty Ltd	Ord	Australia	1	1

## Notes to the Consolidated Financial Statements

For the year ended 30 June 2018

### 24. Related party disclosure (continued)

	2018 \$	2017 \$
<b>c) Key management personnel compensation</b>		
Short-term employee benefits	303,598	281,014
Post-employment benefits	14,250	14,982
Share based payments	32,244	21,913
	<b>350,092</b>	<b>317,909</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 37 to 43.

### 25. Parent entity disclosure

	2018 \$	2017 \$
<b>Financial Performance</b>		
Loss for the year	1,562,694	881,452
Other comprehensive income	-	-
Total comprehensive loss	<b>1,562,694</b>	<b>881,452</b>
<b>Financial Position</b>		
<b>ASSETS</b>		
Current assets	755,353	2,010,390
Non-current assets	5,784	3,489
<b>TOTAL ASSETS</b>	<b>761,137</b>	<b>2,013,879</b>
<b>LIABILITIES</b>		
Current liabilities	119,305	100,597
<b>TOTAL LIABILITIES</b>	<b>119,305</b>	<b>100,597</b>
<b>NET ASSETS</b>	<b>641,832</b>	<b>1,913,282</b>
<b>EQUITY</b>		
Issued capital	31,104,072	30,914,072
Reserves	182,417	525,820
Accumulated losses	(30,644,657)	(29,526,610)
<b>TOTAL EQUITY</b>	<b>641,832</b>	<b>1,913,282</b>

No guarantees have been entered into by Alchemy Resources Limited in relation to the debts of its subsidiaries. Alchemy Resources Limited had no expenditure commitments as at 30 June 2018 other than the commitment in relation to the lease of office premises as disclosed in note 20.



## Directors' Declaration

---

The directors of Alchemy Resources Limited declare that:

- (a) in the directors' opinion the financial statements and notes set out on pages 46 to 75 and the Remuneration Report in the Directors' Report are 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 2018 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), *Corporations Regulations 2001* and mandatory professional reporting requirements.
- (b) the financial statements also comply with International Financial Reporting Standards as disclosed in note 2; and
- (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* by the Managing Director and Chief Financial Officer for the financial year ended 30 June 2018.

Signed in accordance with a resolution of the directors.



**Lindsay Dudfield**  
**Chairman**

Perth, Western Australia  
19 September 2018

## INDEPENDENT AUDITOR'S REPORT

To the members of Alchemy Resources Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Alchemy Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Carrying Value of Exploration and Evaluation Asset

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>At 30 June 2018, the Group carries exploration and evaluation expenditure in terms of the application of the Group's accounting policy for exploration and evaluation expenditure, as set out in Note 9.</p> <p>This is a key audit matter due to the significance of the total balance and the level of procedures undertaken to evaluate managements application of the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources ('AASB 6') in light of any indicators of impairment that may be present.</p>	<p>We have evaluated management's assessment of each impairment trigger per AASB 6 Exploration and Evaluation of Mineral Resources, including but not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining from management a schedule of areas of interest held by the Group and selected a sample of tenements, and assessed as to whether the Group had rights to tenure over the relevant exploration areas by obtaining external confirmation from the relevant government agency and also considered whether the Group maintains the tenements in good standing;</li> <li>• Reviewing budgets to ensure that substantive expenditure on further exploration for and evaluation of the mineral resources in the areas of interest were planned;</li> <li>• Considering whether any areas of interest had reached a stage where a reasonable assessment of economically recoverable reserves existed; and</li> <li>• Considering whether there are any other facts or circumstances that existed to indicate impairment testing was required.</li> </ul> <p>We have also assessed the adequacy of the related disclosures in Note 9 to the financial statements.</p>

## **Other information**

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf)

This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 37 to 43 of the directors' report for the year ended 30 June 2018.



In our opinion, the Remuneration Report of Alchemy Resources Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

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.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over a faint, blue, stylized 'BDO' logo.

Glyn O'Brien

Director

Perth, 19 September 2018

## Additional Shareholders Information

As at 10 September 2018

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows.

### 1. Distribution of Holders of Equity Securities

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

Shares Held	Shareholders
1 - 1,000	143
1,001 - 5,000	179
5,001 - 10,000	148
10,001 - 100,000	506
100,001 and over	351
Total	1,327

The number of holders of less than a marketable parcel of ordinary fully paid shares is 692.

### 2. Substantial Shareholders

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

	Number of shares	Percentage Held
Northern Star Resources Limited	62,500,000	14.19
LG Dudfield Pension Fund	35,868,871	8.14

### 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 Company has 440,419,481 quoted shares on issue. No options on issue by the Company are quoted.

### 5. On-Market Buy Back

There is no current on-market buy back.



## Additional Shareholders Information

As at 10 September 2018

### 6. Unquoted Equity Securities

	Number on issue	Number of holders
Options exercisable at \$0.10 on or before 31 May 2019	7,500,000	2
Options exercisable at \$0.04 on or before 8 January 2021	4,000,000	1
Options exercisable at \$0.08 on or before 8 January 2021	4,000,000	1
Options exercisable at \$0.12 on or before 8 January 2021	4,000,000	1
Options exercisable at \$0.15 on or before 15 April 2021	10,000,000	1

### 7. Twenty Largest Holders of Quoted Ordinary Shares

Shareholder	Number of shares	Percentage held
Northern Star Resources Limited	62,500,000	14.19
LG Dudfield Pension Fund	35,868,871	8.14
Jindalee Resources Limited	17,469,759	3.97
Rossdale Superannuation Pty Ltd	15,266,667	3.47
Mr Christopher Paul Lewis	13,964,543	3.17
TBB NSW Pty Ltd	13,846,000	3.14
Grandor Pty Ltd	12,323,689	2.80
Heron Resources Limited	12,000,000	2.72
Troy Resources Limited	10,000,000	2.27
Kale Capital Corporation Limited	9,587,750	2.18
Mr Eric Anthony Bennik	8,442,369	1.92
Jetosea Pty Ltd	6,399,257	1.45
Cardinal Management Services Pty Ltd	5,893,602	1.34
Dr Colin Rose	6,065,398	1.38
Mr Nevres Crljenkovic	3,500,000	0.79
Mrs Stella Emily Downey	3,467,750	0.79
Mr Cyril Campelj	3,250,000	0.74
JCI Pty Ltd	3,120,000	0.71
Depothent Pty Ltd	2,975,000	0.68
Canaccord Capital (Australia) Pty Ltd	2,785,500	0.63
	<b>248,726,155</b>	<b>56.48</b>

## Tenement Schedule

Project / Tenement	Location / Status	Interest	Co-Holder	Notes
<b>Bryah Basin Project</b>	Western Australia			
E52/1668	Granted	80%	Jackson Minerals Pty Ltd	1, 2, 3
E52/1678	Granted	80%	Jackson Minerals Pty Ltd	1, 2, 3
E52/1722	Granted	80%	Jackson Minerals Pty Ltd	1, 2
E52/1723-I	Granted	100%		2, 4, 5
E52/1730	Granted	80%	Jackson Minerals Pty Ltd	1, 2, 3
E52/1731	Granted	100%		2, 4
E52/1810	Granted	100%		2
E52/1852	Renewal Lodged	100%		4
E52/2360	Granted	100%		2
E52/2362	Granted	100%		2, 4, 6
E52/3292	Granted	100%		2
E52/3405	Granted	100%		2, 4, 6
E52/3406	Granted	100%		2, 4, 6
E52/3407	Granted	100%		2, 6
E52/3408	Granted	100%		2, 4, 6
E52/3409	Granted	100%		2, 6
E52/3472	Granted	100%		2
E52/3475	Granted	100%		2
M52/722	Granted	100%		2, 4, 6
M52/723	Granted	100%		2, 4, 6
M52/737	Granted	100%		4, 6
M52/795	Granted	100%		2, 4, 6
M52/844-I	Granted	100%		2, 6
M52/1049	Granted	100%		4, 6
P52/1425	Granted	100%		2
P52/1427	Granted	100%		2
P52/1428	Granted	100%		2
P52/1429	Granted	100%		4
P52/1467	Granted	100%		2
P52/1468	Granted	100%		2
P52/1469	Granted	100%		2
P52/1470	Granted	100%		2
P52/1531	Granted	100%		2
P52/1532	Granted	100%		2
P52/1533	Granted	100%		2
P52/1534	Granted	100%		2
P52/1535	Granted	100%		2
P52/1565	Granted	100%		9
P52/1566	Granted	100%		9
P52/1567	Granted	100%		9
P52/1568	Granted	100%		9
P52/1572	Granted	100%		9

## Tenement Schedule

Project / Tenement	Location / Status	Interest	Co-Holder	Notes
<b>Karonie Project</b>	Western Australia			
E28/2575	Granted	100%		7
E28/2576	Granted	100%		7
E28/2601	Granted	100%		7
E28/2619	Granted	100%		7
E28/2643	Granted	100%		7
E28/2657	Granted	100%		7
E28/2667	Granted	100%		7
E28/2668	Granted	100%		7
<b>Lachlan Projects</b>	New South Wales			
EL5878 - Overflow	Granted	0%	ALY earning up to 80%	8
EL7941 - Overflow	Granted	0%	ALY earning up to 80%	8
EL8267 – Overflow Nth	Granted	0%	ALY earning up to 80%	8
EL8356 – Yellow Mtn	Granted	0%	ALY earning up to 80%	8
EL8192 - Eurow	Granted	0%	ALY earning up to 80%	8
EL8318 - Girilambone	Granted	0%	ALY earning up to 80%	8
EL8631 – West Lynn	Granted	0%	ALY earning up to 80%	8
EL8711 - Woodsreef	Granted	0%	ALY earning up to 80%	8

### Notes:

1. Jackson Minerals Pty Ltd, a subsidiary of Fe Ltd (ASX: FEL), retains a 20% interest free-carried to a decision to mine.
2. Sandfire Resources NL (ASX: SFR) has a right to explore and earn a 70-80% interest (excludes iron ore) in whole or part tenements by sole funding a total of \$3,100,000 of exploration expenditure before 29 October 2019, with Alchemy free-carried up to completion of a pre-feasibility study.
3. Billabong Gold Pty Ltd has a right to explore and earn a 70% interest in whole or part tenement by sole funding a total \$1,200,000 on exploration expenditure over tenements or parts of tenements marked (3) & (4).
4. Billabong Gold Pty Ltd has a right to explore and earn an 80% interest in whole or part tenement by sole funding a total \$1,200,000 on exploration expenditure over tenements or parts of tenements marked (3) & (4).
5. PepinNini Robinson Range Pty Ltd retains a 1% NSR on iron ore.
6. 100% minerals rights for all minerals, excluding iron ore; Carey Mining Iron Ore JV – Alchemy Resources 50%, Carey Mining 50% iron ore.
7. Goldtribe Corporation Pty Ltd, a subsidiary of Alchemy Resources Limited, has 100% interest in the tenement.
8. Alchemy Resources (NSW) Pty Ltd, a subsidiary of Alchemy Resources Limited, has a right to explore and earn up to an 80% interest in tenements by sole funding a total of \$2,000,000 on exploration expenditure before 30 May 2021.
9. Alchemy Resources (Three Rivers) Pty Ltd, a subsidiary of Alchemy Resources Limited, has 100% interest in the tenement.