



ABN 17 124 444 122

Half-Year Financial Report
31 December 2014

Corporate Directory

Directors

Oscar Aamodt	Non-Executive Chairman
Sofia Bianchi	Non-Executive
Lindsay Dudfield	Non-Executive
Anthony Ho	Non-Executive

Company Secretary

Bernard Crawford

Registered Office

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West Perth WA 6005
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Facsimile: (08) 9481 4404
Email: admin@alchemyresources.com.au
Web: 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

Stock Exchange Listing

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

ASX Code: ALY

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2014.

DIRECTORS

The names of Alchemy Resources Limited's ("Alchemy" or "Company") directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Oscar Aamodt
Sofia Bianchi
Lindsay Dudfield
Anthony Ho

REVIEW AND RESULTS OF OPERATIONS

Alchemy's activities are reported in announcements to the ASX, with highlights of the half-year to 31 December 2014 summarised below (further details can be found at the Company's website www.alchemyresources.com.au).

BRYAH BASIN PROJECT

(100% or 80% Alchemy Resources Ltd)

Alchemy's Bryah Basin Project comprises a 630km² ground package, located 130km NE of Meekatharra, Western Australia. The Project is uniquely located along strike and west of Sandfire Resources' DeGrussa copper-gold mine and east of RNI's Forrest copper-gold project, and adjacent to Peak Hill where about 1Moz of gold has been mined from several deposits. Alchemy holds a 100% interest in the landholding with the exception of several tenements held in joint-venture with Jackson Minerals Pty Ltd (20%), a subsidiary of Fe Ltd.

In November 2014, leading Australian base metal and gold producer Independence Group NL ("Independence") elected to enter into a farm-in and Joint Venture ("JV") in accordance with the Letter Agreement dated 29 January 2014. The JV is to explore and earn an interest in the whole and part tenements that cover the base metal prospective part of the Bryah Basin Project and allows base metal exploration to be accelerated. Should a high-value base metal discovery be made, Alchemy retains the right to participate as a 20% partner, an equity position may should deliver significant value to shareholders.

Gold Exploration in the Bryah Basin

During the half-year ending 31 December 2014, Alchemy focussed its exploration for high value gold assets on the gold prospective landholding of the Bryah Basin Project, including its 100% interest in existing gold resources and significant exploration upside. The Project currently has Indicated Resources of 300,000 oz gold (4.7Mt at 2.0g/t gold) at Hermes and Wilgeena and is targeting high-grade gold to supplement existing gold mineralisation with the aim of establishing a high-grade gold operation.

A pipeline of advanced to grass roots gold targets has been identified in the Bryah Basin Project requiring further systematic exploration and targeted drilling campaigns to unlock the broader gold potential of the Project region. The Company employs innovative geochemical and geophysical methods in conjunction with drill testing of priority targets to unlock the gold potential across the Bryah Basin Project.

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Alchemy completed regolith geochemical sampling over four areas – Henry, Troy, Jones West and Flamel – along potentially mineralised corridors interpreted from surface mapping, geophysical images and previous exploration geochemistry. The program utilised the method of sampling the residual regolith immediately below transported cover (generally collected from between one to six metres in depth), which has been previously demonstrated by Alchemy to be effective at delineating gold targets in the Seaborg and Winchester areas.

The geochemical program outlined multiple coherent gold anomalies in the Flamel, Henry and Troy areas, with peak results of 910 and 460ppb gold returned at Flamel and Henry, respectively. At Flamel, multiple sub-parallel linear gold anomalies are apparent within a broad cohesive gold anomaly over 1km in length. The anomaly is in the vicinity of a historic RAB hole that returned elevated gold (18m at 0.26g/t gold) and arsenic and represents a priority drill target.

The program successfully identified the continuation of geochemically anomalous host-structures to the northwest of previously identified gold mineralisation at Henry. A broad gold anomaly extends for over 1km and is open to the north and east, with further sampling planned. In addition, regolith sampling at Troy and Jones West returned multiple, cohesive, low-order gold anomalies passing the length of the sampling area.

Aircore drilling is planned over the gold anomalies delineated in the Flamel, Henry and Troy areas to test for gold and pathfinder elements in the bedrock below the currently defined footprint, with anomalies identified to be followed up with RC drilling. Additional broad-spaced regolith geochemical sampling programs of target areas along interpreted mineralised structures throughout the Project are also planned.

The Seaborg-Central Bore mineralised corridor contains multiple targets identified from interpretation of detailed ground magnetic surveys and regolith geochemistry sampling programs and represents a priority area for further geochemical sampling and/or aircore drill testing. In the Seaborg area, a series of sub-parallel, linear (>500m) gold anomalies are contained within a cohesive, broad gold anomaly was returned over the length of the sampling area, and the gold anomalous structures remain open along strike to the east as well as potentially to the north.

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

In addition, further targeted RC and diamond drilling of previous high-grade gold results at Hermes and Wilgeena has the potential to expand the areas of gold mineralisation outside of the known mineralised areas and is planned.

Subsequent to the end of the half-year, Alchemy signed an Asset Sale Agreement with Northern Star Resources Ltd ("Northern Star"), whereby Northern Star will purchase the Hermes gold resource and adjacent tenements for a) a purchase price of \$1,450,000 for the tenements and mining information, b) a royalty of 1% of Net Smelter Return payable on refined gold recovered from the tenements in excess of 70,000 ounces and up to 90,000 ounces, and c) a placement of 33,333,334 fully paid ordinary Alchemy shares at a price of \$0.015 per share to raise \$500,000.

In addition, the Company signed a Farm-in and Joint Venture Agreement with Northern Star whereby Northern Star is to explore and to earn an interest in the Company's other landholding that covers the gold prospective part of the Bryah Basin project. The agreement relates to whole and part tenements that cover the gold prospective part of the Bryah Basin Project and will enable exploration of these areas to be

Directors' Report

accelerated. Both agreements are subject to and conditional upon completion of all necessary consents and the execution of various deeds of assignment.

The agreements enable Alchemy to join forces with one of Australia's leading gold mining companies and owner of the nearby Plutonic gold processing plant to rapidly advance exploration of gold prospective tenements in the Bryah Basin Project. The development of Hermes will increase the chances of other deposits in the Project area being mined.

The farm-in and joint venture agreement with Northern Star over the gold prospective landholding will enable near-term exploration to drill test high-grade gold targets at the Wilgeena, Central Bore and Seaborg prospects and test gold-in-soil anomalies along strike from these prospects and other high priority targets. In the event of a gold discovery, Alchemy has the opportunity to enter a production joint venture with Alchemy's share of costs carried to commencement of production.

Base metal exploration - JV with Independence Group

During the reporting period, Independence completed the initial phase of on-ground exploration as part of the JV covering base metal prospective parts of the Bryah Basin Project. Under the terms of the Agreement, Independence can earn up to 80% in Alchemy's interests (excluding iron ore rights) by through Earn-In Expenditure of \$6M within five years, with Alchemy free-carried on further exploration to completion of a Pre-Feasibility Study and then carried on an interest-free deferred basis for a further \$5M of Definitive Feasibility Study expenditure.

The Bryah Basin JV area contains more than 45km of strike extent of the Narracoota volcanic sequence, host to Sandfire Resource's DeGrussa copper-gold deposit and RNI's Forrest copper-gold prospect, and is prospective for discovery of volcanic massive-sulphide (VMS)-style base metal deposits. Independence has extensive VMS exploration and discovery experience and is applying its state-of-the-art geophysical tools and renowned in-house geological team to comprehensively evaluate the prospective Narracoota stratigraphy on the farm-in tenements.

Since commencement of funding base metal exploration in early 2014, Independence has completed an extensive moving-loop electromagnetic (MLEM) survey as well as an initial aircore drilling program. The MLEM survey covered the Neptune and Churchill prospect areas where previous limited exploration has returned broad base metal anomalism and targets defined from single lines of MLEM. The drilling program targeted the Neptune and Moby South prospects as well as reconnaissance drilling over the southern part of the JV area to follow-up and further define base metal and/or gold geochemical anomalies from previous drilling, as well as to better define the base metal prospective horizons further the understanding of the project stratigraphy and identify additional zones of anomalism.

Results of the aircore drilling confirm a strong multi-element VMS pathfinder geochemical response at the Neptune prospect, localised within the Karalundi Formation and on the prospective basal contact of the Narracoota Formation, which is the interpreted ore horizon at DeGrussa. The zones of anomalism are coincident with linear moderate to strong electromagnetic (EM) conductors returned from the moving-loop EM survey conducted over the Neptune prospect. The anomalism at Neptune represents a priority target requiring testing with deeper drilling.

At Moby South, aircore drilling tested a previously delineated zone of gold anomalism that hadn't been assayed for multi-element geochemistry, as well as the Narracoota – Karalundi formation contact. A key result was the intersection of strong gold anomalism of 18m at 483ppb gold to the end-of-hole in 14BRAC046 associated with quartz veining and up to 10% disseminated pyrite.

The reconnaissance aircore drill traverses completed along the largely untested prospective Narracoota – Karalundi formation contact returned low order copper and VMS pathfinder anomalism. Gold anomalism

Directors' Report

was identified within strongly weathered sedimentary rocks close to the Narracoota – Karalundi contact position. The drilling by Independence further defines the prospective Narracoota contact position, which can now be tested for evidence of VMS mineralisation by systematic geochemistry, geophysics and drilling.

Operating Results

The half-year report to 31 December 2014 shows an operating loss of \$4,073,213 (including impairment of capitalised exploration expenditure of \$3,958,878) compared with an operating loss of \$349,455 for the half-year ended 31 December 2013.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the directors.



Oscar Aamodt
Chairman

Perth, 12 March 2015

Competent Person's Statement

The information in this report that relates to Exploration Results is based on information compiled by Dr Kevin Cassidy, who is a Fellow of the Australian Institute of Geoscientists and is a fulltime employee and security holder of Alchemy Resources Limited. Dr Cassidy has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the 'Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves'. Dr Cassidy consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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

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

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF ALCHEMY RESOURCES LIMITED

As lead auditor for the review of Alchemy Resources Limited for the half-year ended 31 December 2014, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Chris Burton
Director

BDO Audit (WA) Pty Ltd
Perth, 12 March 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Half-Year Ended 31 December 2014

		Consolidated	
		31 December 2014	31 December 2013
	Notes	\$	\$
Revenue from continuing operations			
Other income	4	189,529	25,929
Corporate expense		(108,310)	(103,206)
Exploration expense		(2,522)	1,517
Employee expense		(59,687)	(100,236)
Administration expense		(131,169)	(169,983)
Impairment expense	5	(3,958,878)	-
Finance costs		(2,176)	(3,476)
Loss from continuing operations		(4,073,213)	(349,455)
Income tax benefit		-	-
Loss for the half-year attributable to the owners of Alchemy Resources Limited		(4,073,213)	(349,455)
Other comprehensive income			
Items that will not be reclassified to profit or loss		-	-
Items that will be reclassified to profit or loss		-	-
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive loss for the half-year attributable to the owners of Alchemy Resources Limited		(4,073,213)	(349,455)
Loss per share attributable to the owners of Alchemy Resources Limited			
Basic loss per share (cents per share)		(2.20)	(0.22)

This Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in
conjunction with the notes to these half-year accounts

Consolidated Statement of Financial Position

As at 31 December 2014

		Consolidated	
		31 December	30 June
		2014	2014
	Notes	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	119,387	553,173
Trade and other receivables		168,116	61,270
Other current assets		24,202	5,757
Assets held for sale	7	1,450,000	-
Total Current Assets		1,761,705	620,200
Non-Current Assets			
Exploration and evaluation	8	12,767,592	17,809,030
Property, plant and equipment		74,526	150,906
Total Non-Current Assets		12,842,118	17,959,936
TOTAL ASSETS		14,603,823	18,580,136
LIABILITIES			
Current Liabilities			
Trade and other payables		229,528	117,877
Provisions		21,333	32,800
Interest bearing liabilities		20,240	38,077
Total Current Liabilities		271,101	188,754
Non-Current Liabilities			
Interest bearing liabilities		-	10,638
Total Non-Current Liabilities		-	10,638
TOTAL LIABILITIES		271,101	199,392
NET ASSETS		14,332,722	18,380,744
EQUITY			
Contributed equity	10	28,635,022	28,635,022
Reserves		444,647	419,456
Accumulated losses		(14,746,947)	(10,673,734)
TOTAL EQUITY		14,332,722	18,380,744

This Consolidated Statement of Financial Position should be read in conjunction with the notes to these half-year accounts

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2014

Attributable to equity holders of the entity					
Notes	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total Equity \$	
At 1 July 2013	27,932,586	419,456	(9,000,044)	19,351,998	
Loss for the half-year	-	-	(349,455)	(349,455)	
Other comprehensive income	-	-	-	-	
Total comprehensive loss for the half-year net of tax	-	-	(349,455)	(349,455)	
Transactions with owners in their capacity as owners	-	-	-	-	
At 31 December 2013	27,932,586	419,456	(9,349,499)	19,002,543	
At 1 July 2014	28,635,022	419,456	(10,673,734)	18,380,744	
Loss for the half-year	-	-	(4,073,213)	(4,073,213)	
Other comprehensive income	-	-	-	-	
Total comprehensive loss for the half-year net of tax	-	-	(4,073,213)	(4,073,213)	
Transactions with owners in their capacity as owners					
Share based payments	11	-	25,191	-	25,191
At 31 December 2014		28,635,022	444,647	(14,746,947)	14,332,722

This Consolidated Statement of Changes in Equity should be read in conjunction with the notes to these half-year accounts

Consolidated Statement of Cash Flows

For the Half-Year Ended 31 December 2014

		Consolidated	
		31 December	31 December
		2014	2013
	Notes	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(230,958)	(344,865)
Interest received		5,880	35,034
Interest paid		(2,176)	(3,476)
Research and development tax offset received		36,110	-
Net cash flows from/(used in) operating activities		(191,144)	(313,307)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		60,000	-
Payment for exploration expenditure		(274,167)	(725,629)
Net cash flows from/(used in) investing activities		(214,167)	(725,629)
Cash flows from financing activities			
Payment of finance lease		(28,475)	(23,184)
Net cash flows from/(used in) financing activities		(28,475)	(23,184)
Net increase/(decrease) in cash and cash equivalents		(433,786)	(1,062,120)
Cash and cash equivalents at beginning of half-year		553,173	1,641,578
Cash and cash equivalents at end of half-year	6	119,387	579,458

This Consolidated Statement of Cash Flows should be read in conjunction with the notes to these half-year accounts

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2014

1. CORPORATE INFORMATION

The financial report of Alchemy Resources Limited ("the Company") for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 12 March 2015.

Alchemy Resources Limited is a company incorporated in Australia and limited by shares which are quoted on the Australian Securities Exchange.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by Alchemy Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The half-year financial report has been prepared on a historical cost basis, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

(b) Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2014.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2014

(c) 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.

The Group incurred an operating loss after income tax for the half-year ended 31 December 2014 of \$4,073,213 (2013: \$349,455) and experienced net cash outflows from operating and investing activities of \$405,311 (2013: \$1,038,936). As at 31 December 2014 the Group had cash and cash equivalents of \$119,387 (2013: \$579,458).

On 24 February 2015 the Company announced that it had signed a series of agreements with Northern Star Resources Limited (ASX: NST) ("Northern Star") to purchase the Hermes gold resource and adjacent tenements, and explore and to earn an interest in part of Alchemy's Bryah Basin Project (refer to note 15 below).

Under the terms of the Sale and Purchase Agreement with Northern Star the tenement containing the Hermes gold resource and adjacent tenements ("the tenements") are to be acquired by Northern Star for a) a purchase price of \$1,450,000 for the tenements and mining information, b) a royalty of 1% of Net Smelter Return payable on refined gold recovered from the tenements in excess of 70,000 ounces and up to 90,000 ounces, and c) a placement of 33,333,334 fully paid ordinary Alchemy shares at a price of \$0.015 per share to raise \$500,000. Once completed, this transaction will provide the Company with funds of \$1,950,000 (before costs).

In addition the Group has entered into farm-in agreements with Northern Star and Independence Group NL ("Independence") whereby Northern Star and Independence will explore and earn an interest in various tenements held by the Group in the Bryah Basin. These agreements reduce the Group's expenditure commitments on the tenements covered by the agreements whilst retaining its right to participate as a partner should a discovery be made. The agreements with Northern Star are subject to and conditional upon completion of all necessary consents and the execution of various deeds of assignment.

The directors have reviewed the Group's financial position and are of the opinion that the going concern basis of accounting is appropriate having regard to the matters outlined above.

(d) Critical accounting estimates and judgements

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing the interim consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the annual consolidated financial statements as at and for the year ended 30 June 2014

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 Half-Year Ended 31 December 2014

3. SEGMENT INFORMATION

The Company operates in one business and geographical segment being mineral exploration and prospecting for minerals in Australia.

4. OTHER INCOME

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Bank interest receivable	4,302	19,160
Gain on sale of fixed assets	19,550	-
Research and development tax offset	147,722	-
Other income	17,955	6,769
Total other income	189,529	25,929

5. IMPAIRMENT EXPENSE

Impairment expense	3,958,878	-
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The impairment expense represents the write-down of the tenements subject of the sale agreement with Northern Star Resources Limited from their carrying amount to their recoverable value (refer to notes 7 and 15 below).

6. CASH AND CASH EQUIVALENTS

For the purposes of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Cash at bank and in hand	84,587	405,273
Short term deposits	34,800	147,900
	119,387	553,173

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2014

7. ASSETS HELD FOR SALE

Tenements held for sale	1,450,000	-
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The tenements subject of the sale agreement with Northern Star Resources Limited are held at their recoverable value as determined by the agreed sale price (refer to note 15 below).

8. EXPLORATION AND EVALUATION

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Opening balance	17,809,030	17,650,082
Exploration expenditure incurred during the period	369,962	1,206,874
Exploration expenditure written off	(2,522)	(1,047,926)
Transfers to assets held for sale	(1,450,000)	-
Impairment expense	(3,958,878)	-
Closing balance	<u>12,767,592</u>	<u>17,809,030</u>

9. COMMITMENTS AND CONTINGENCIES

As at the reporting date there has been no material change in the commitments and contingencies since 30 June 2014.

10. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Share Capital		
Ordinary shares	28,635,022	28,635,022
Movement in ordinary shares on issue	Number	\$
At 1 July 2013	156,852,955	27,932,586
At 31 December 2013	<u>156,852,955</u>	<u>27,932,586</u>
At 1 July 2014	185,454,701	28,635,022
At 31 December 2014	<u>185,454,701</u>	<u>28,635,022</u>

Notes to the Consolidated Financial Statements For the Half-Year Ended 31 December 2014

11. SHARE BASED PAYMENTS

In September 2014, 3,000,000 options were granted to employees and contractors. The fair value of options granted was determined using a Black Scholes pricing model. The following table lists the inputs to the model for options granted during the six months ended 31 December 2014:

Inputs	Issue 10	Issue 11
Exercise Price	\$0.10	\$0.20
Grant date	23 September 2014	23 September 2014
Expiry date	31 October 2017	31 October 2017
Share price at grant	\$0.023	\$0.023
Expected volatility (%)	124.9%	124.9%
Risk-free interest rate (%)	2.67%	2.67%

The expense for the half-year was \$25,191.

12. DIVIDENDS

No dividends have been declared or paid during the half-year.

13. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Due to their short term nature, the carrying amounts of current receivables, current payables and current borrowings is assumed to approximate their fair value.

14. RELATED PARTY TRANSACTIONS

There were no related party transactions during the half-year.

15. EVENTS SUBSEQUENT TO THE REPORTING DATE

On 24 February 2015 the Company announced that it had agreed to purchase the Reserve Payment over the Three Rivers Gold Project ("Three Rivers") held by Troy Resources Limited ("Troy") via the issue of 10 million fully paid ordinary Alchemy shares.

In 2008 Alchemy and Troy entered into an Asset Sale Agreement whereby Alchemy acquired Troy's interest in Three Rivers for \$2 million, with \$1,310,000 paid at the time in cash and Alchemy shares, and the balance of \$690,000 due when Alchemy makes an announcement that it has delineated gold reserves of not less than 50,000 ounces, or on the lodgement of a notice of intent to mine ("Reserve Payment").

The 10 million shares were issued to Troy on 3 March 2015.

On 24 February 2015 the Company also announced that it had signed a series of agreements with Northern Star Resources Limited ("Northern Star") whereby Northern Star will purchase the Hermes gold resource and adjacent tenements, and explore and to earn an interest in part of Alchemy's Bryah Basin Project.

Notes to the Consolidated Financial Statements

For the Half-Year Ended 31 December 2014

Under the terms of the Sale and Purchase Agreement with Northern Star the tenement containing the Hermes gold resource and adjacent tenements ("the tenements") are to be acquired by Northern Star for a) a purchase price of \$1,450,000 for the tenements and mining information, b) a royalty of 1% of Net Smelter Return payable on refined gold recovered from the tenements in excess of 70,000 ounces and up to 90,000 ounces, and c) a placement of 33,333,334 fully paid ordinary Alchemy shares at a price of \$0.015 per share to raise \$500,000.

Under the Farm-in and Joint Venture Agreement Northern Star is to spend a minimum of \$1,200,000 on exploration expenditure over a period of three years to earn an interest in the Company's gold prospective tenements in the Bryah Basin.

The agreements with Northern Star are subject to and conditional upon completion of all necessary consents and the execution of various deeds of assignment.

Directors' Declaration

In accordance with a resolution of the directors of Alchemy Resources Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the financial position as at the 31 December 2014 and the performance for the half-year ended on that date of the Consolidated Entity; and
 - ii. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) 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.

On behalf of the Board



Oscar Aamodt
Chairman

Perth, 12 March 2015

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Alchemy Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alchemy Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, 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 half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alchemy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Alchemy Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Alchemy Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 2(c) in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the completion of the sale of the Hermes gold resource and adjacent tenements, the application of farm-in agreements on the consolidated entity's tenements and the proposed share placement. These conditions, along with other matters as set out in Note 2(c), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in the consolidated statement of financial position.

BDO Audit (WA) Pty Ltd

BDO


Chris Burton

Director

Perth, 12 March 2015