



ABN 17 124 444 122

ANNUAL REPORT

For the year ended 30 June 2016

Corporate Directory

Directors

Oscar Aamodt	Non-Executive Chairman
Liza Carpene	Non-Executive Director
Lindsay Dudfield	Non-Executive Director
Anthony Ho	Non-Executive Director

Company Secretary

Bernard Crawford

Registered & Principal Office

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Facsimile: (08) 9481 4404
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Auditors

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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
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Telephone: (08) 9315 2333
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Securities Exchange Listing

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

ASX Code: **ALY**

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Chairman's Letter

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the Annual Report of Alchemy Resources Limited for the year ended 2016.

The past two years have been very challenging for the resources sector and for exploration companies such as Alchemy in particular. The combination of lower commodity prices and low levels of interest from investors has led to significant declines in the share prices of many companies and a resulting decrease in exploration activity.

As reported last year, Alchemy was able to complete significant transactions with two of Australia's leading mining companies, enabling exploration of the Bryah Basin Project to be accelerated while retaining a strong equity position if a high-value gold or base metal discovery is made. In both these arrangements the joint venture parties have continued with their earn-in obligations during the financial year.

However, subsequent to year end Northern Star Resources Ltd has arranged the sale of their activities in this area and this includes the joint venture with Alchemy on the adjacent tenements to the Hermes gold resource. The incoming party will have to complete the earn-in expenditure obligations to acquire any interest in the tenements the subject of the joint venture.

Independence Group NL has undertaken geophysical surveys and drill testing of the prospective Narracoota corridor and delineated high-order, multi-element anomalism over a 2.5km long zone in the Neptune area. Further work is required but early indications suggest that the chances for the discovery of a large base metal deposit are good.

During the year Alchemy has, following extensive project reviews, completed a strategic joint venture with Heron Resources Ltd in the key mineral province of the Lachlan Belt in New South Wales. This joint venture initiative is close to operating mines and comes with drill ready targets on some of the tenements. Please refer to the Review of Activities section of this report for further details.

The other key initiative was the successful application for tenements in the Karonie region of the Eastern Goldfields which are close to operating processing plants and along strike from Breaker Resources NL's Lake Roe Project. Historic exploration information is being collated and as previous drilling returned high-grade intercepts it is expected that drill ready targets will be readily identified.

The Company continues to conserve cash through reduced overhead expenditure and ongoing attention to detailed budgeting and as soon as access to the various key areas in the new projects is obtained it is planned to commence activities with the focus on the best drill targets identified from the review of historical exploration activity. Further details are set out in the Review of Activities section of this report.

Alchemy has sufficient cash to commence work on these exciting new gold projects but, the future will again depend largely on the results of our activities and the capacity to raise further capital from the market and with the support of our shareholders, as and when this is deemed appropriate.

The Board sincerely appreciates the commitment and focused efforts of the Alchemy team and we thank you, our shareholders, for your ongoing support during the period.



Oscar Aamodt
Chairman

Key Investment Highlights

- Focused strategy towards **building a gold and base metals business** through strategic acquisition and exploration of quality projects
- Diverse **high-value gold & base metal project portfolio** in key mineral provinces and each with potential for discovery of a major mine
- Significant upside potential with **drill-ready gold & base metal targets** at multiple prospects
- **Lachlan projects** – multiple, high-grade gold & base metal targets at Overflow, Eurow & Girilambone
- **Karonie project** – drill-ready, high-grade gold targets in premier goldfield
- **Bryah Basin project** – joint-venture funded exploration for high-grade gold & base metals in emerging metallogenic province
- Experienced and proven Board and management team & good financial position

Review of Activities

Alchemy Resources Limited (ASX: ALY; “Alchemy”) is an Australian gold and base metal exploration company focused on growth through the discovery and development of gold and base metal resources at its portfolio of quality projects within Australia (*Figure 1*).

During the June 2016 quarter, Alchemy entered a farm-in and joint venture agreement on the Lachlan Projects in New South Wales, where it seeks to advance targets through discovery and extensional drilling to define sufficient resources to underpin a profitable near-term development scenario. These projects are in a well-endowed gold and base metal province with significant upside in both gold and copper.

Over the past 12 months, the Company acquired a significant gold-prospective land package in the Karonie greenstone belt in the Eastern Goldfields region in Western Australia where it intends to test high-grade gold targets through extensional drilling. The Karonie Project is in one of Australia’s premier gold provinces with significant potential to discover additional gold resources.

Since the acquisition of the Lachlan and Karonie projects, exploration focus has been on compiling historic exploration information and the assessment, delineation and planning for the commencement of RC and diamond drill testing of priority targets at the new projects.

Alchemy maintains its interest in the Bryah Basin Project in the emerging gold and base metal-rich Gascoyne region of Western Australia where our joint venture partners continue to fund base metal and gold exploration.

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

- unlock the gold and base metal potential of highly prospective Lachlan and Karonie projects through systematic exploration and targeted drilling campaigns;
- create value for shareholders through joint venture-funded exploration for gold and base metal deposits within the Bryah Basin Project; and
- continue to expand the Company’s position through strategic acquisition and exploration of quality advanced project opportunities.

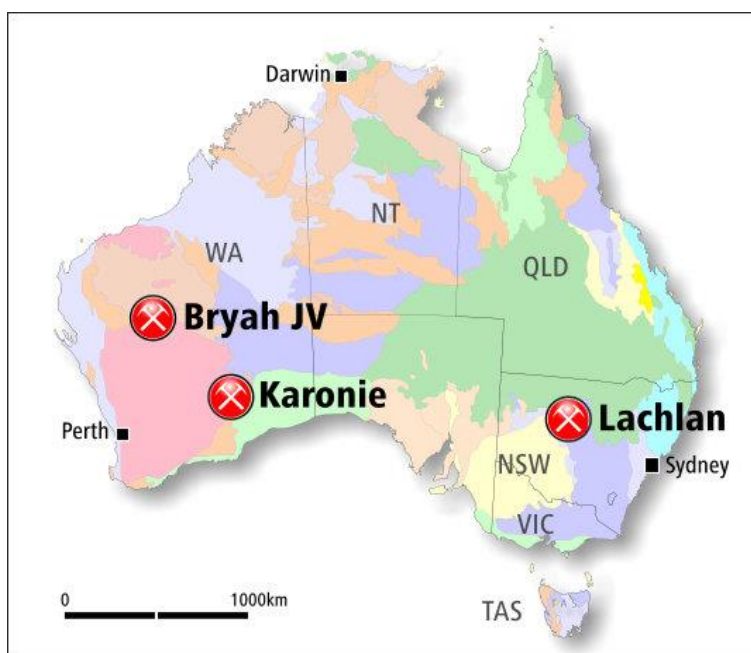


Figure 1: Alchemy Resources’ Project Location Map.

Review of Activities

Lachlan Projects (NSW)

(Alchemy earning up to 80%)

Alchemy commenced a farm-in and joint venture with Heron Resources Ltd (ASX: HRR; “Heron”) to earn up to an 80% interest in three gold and base metal projects in the highly prospective central Lachlan province (Figure 2). The Lachlan Projects consist of the Overflow Gold-Base Metal Project (“Overflow”), the Eurow Copper-Gold Project (“Eurow”) and the Girilambone Copper Project (“Girilambone”). Each of these projects contains identified gold and / or base metal targets, including drill-ready priority targets at Overflow.

The Lachlan Projects represent a strategic exploration project acquisition for Alchemy, with a large 674km² land package in the underexplored central Lachlan province. The projects are proximal to high profile mining centres in the central Lachlan, including Hera/Nymagee, Mallee Bull, Mineral Hill, Tritton and the Parkes mining centre (Figure 2).

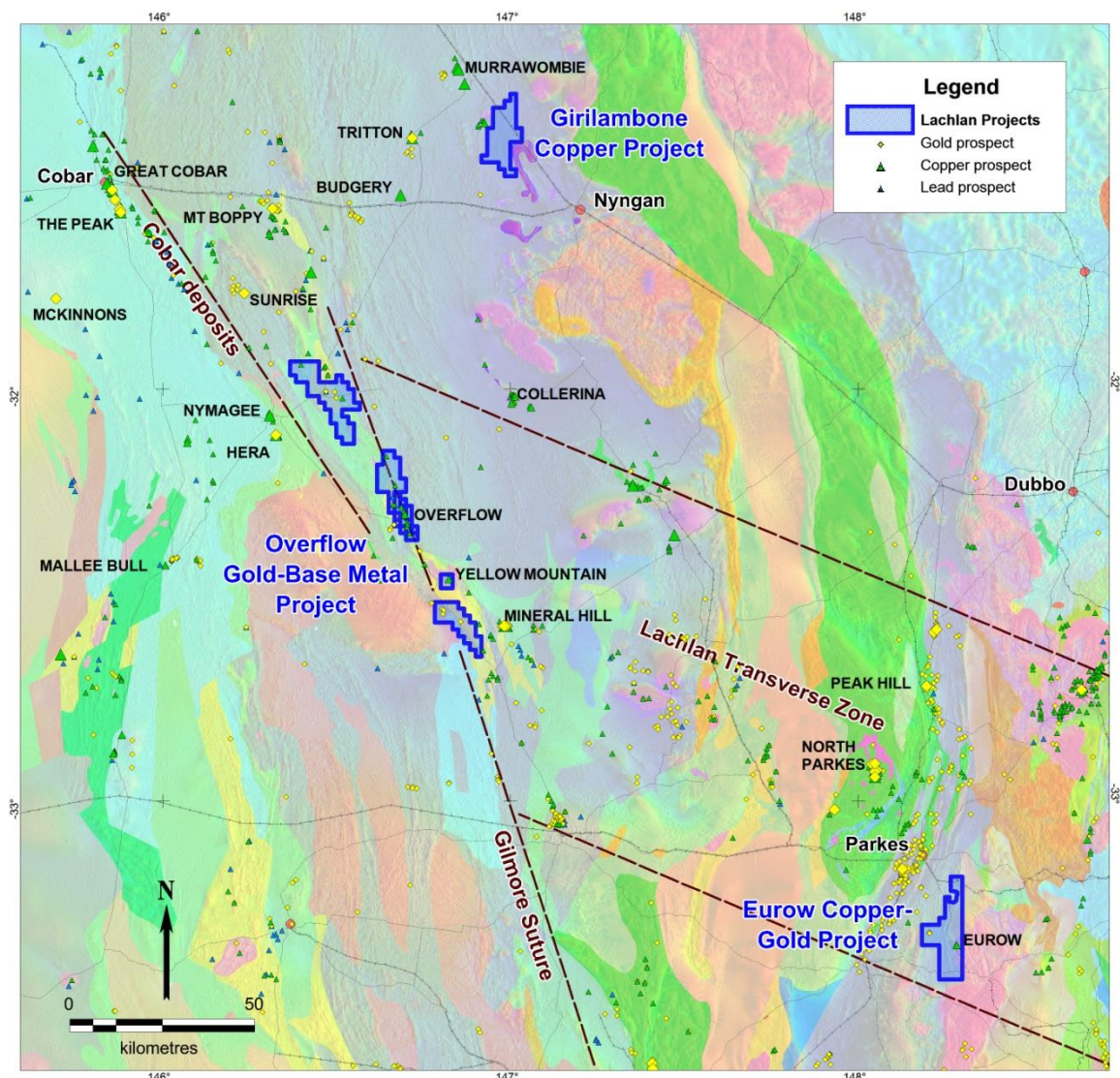


Figure 2: Lachlan projects – Overflow, Eurow & Girilambone – Alchemy earning up to 80% interest through farm-in / joint venture with Heron Resources Ltd.

Review of Activities

Overflow Gold-Base Metal Project

The Overflow Project consists of four exploration licences covering 390km² located over a 50km long zone from 20km east of Hera/Nymagee to adjacent to Mineral Hill (*Figure 2*). The project is located along the northern extension of the Gilmore Suture within Ordovician-Devonian metasediments and prospective for epithermal and Cobar-style gold and base-metal mineralisation.

The Project is centred on the historic Overflow mining centre (*Figure 3*), a past producer of gold, silver and lead, and 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 with base metal credits, including 4.6m at 8.49g/t gold, 79g/t silver, 13.5% zinc, 7.1% lead from 185.4m, 10m at 4.44g/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. 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.

A priority RC-diamond drilling program targeting up and down-plunge positions of the mineralisation zones at the Overflow mining centre is planned to commence in the first half of the 2016-17 financial year, subject to completion of landholder access agreements and statutory approvals.

Outside of the historic mine area a number of regional prospects have been delineated and warrant further exploration (*Figure 3*). Along strike to the south of the Overflow mine, at the BO2 target, a single drill hole, OFTRC005, targeted an IP chargeability anomaly was terminated at the edge of the anomaly. The drill hole ended in weak mineralisation (12m at 0.42g/t gold to end of the hole) with visible chalcopyrite identified, and it represents a priority target for further drill testing.

Alchemy has identified additional regional gold and base metal targets across the Overflow Project and is planning initial field reconnaissance of identified targets in the second half of 2016. Initial geophysical and geochemical surveys will then be carried out to determine the potential for high-value discoveries within these target areas.

Eurow Copper-Gold Project

The Eurow Copper-Gold Project (“Eurow”), located 30 km southeast of Parkes (*Figure 2*), covers 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 drilling by previous companies below the workings 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 4.4 metres at 1.57% copper and 0.63g/t gold from 212m.

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

Girilambone Copper Project

Girilambone comprises one granted tenement, about 25 km northwest of Nyngan, on the eastern edge of the Girilambone Basin (*Figure 2*). Girilambone is located east of Aeris Resources Ltd’s (ASX: AIS) Tritton copper operation, and along strike from Helix Resources Ltd (ASX: HLX) high-grade Collerina copper prospect.

Review of Activities

Girilambone is prospective for 'Besshi-type' volcanic massive sulfide (VMS) copper-gold mineralisation within mafic units of the Ordovician Girilambone Group, and located along interpreted VMS trends extending from Collerina in the south to north of Murrawombie (Figure 2). The Project area is adjacent to copper anomalism along structural and magnetic trends from the historic Kurrajong copper workings. During the June quarter, Alchemy commenced review of historic exploration information from Girilambone with systematic exploration targeting Tritton/Collerina-style copper-gold mineralisation planned.

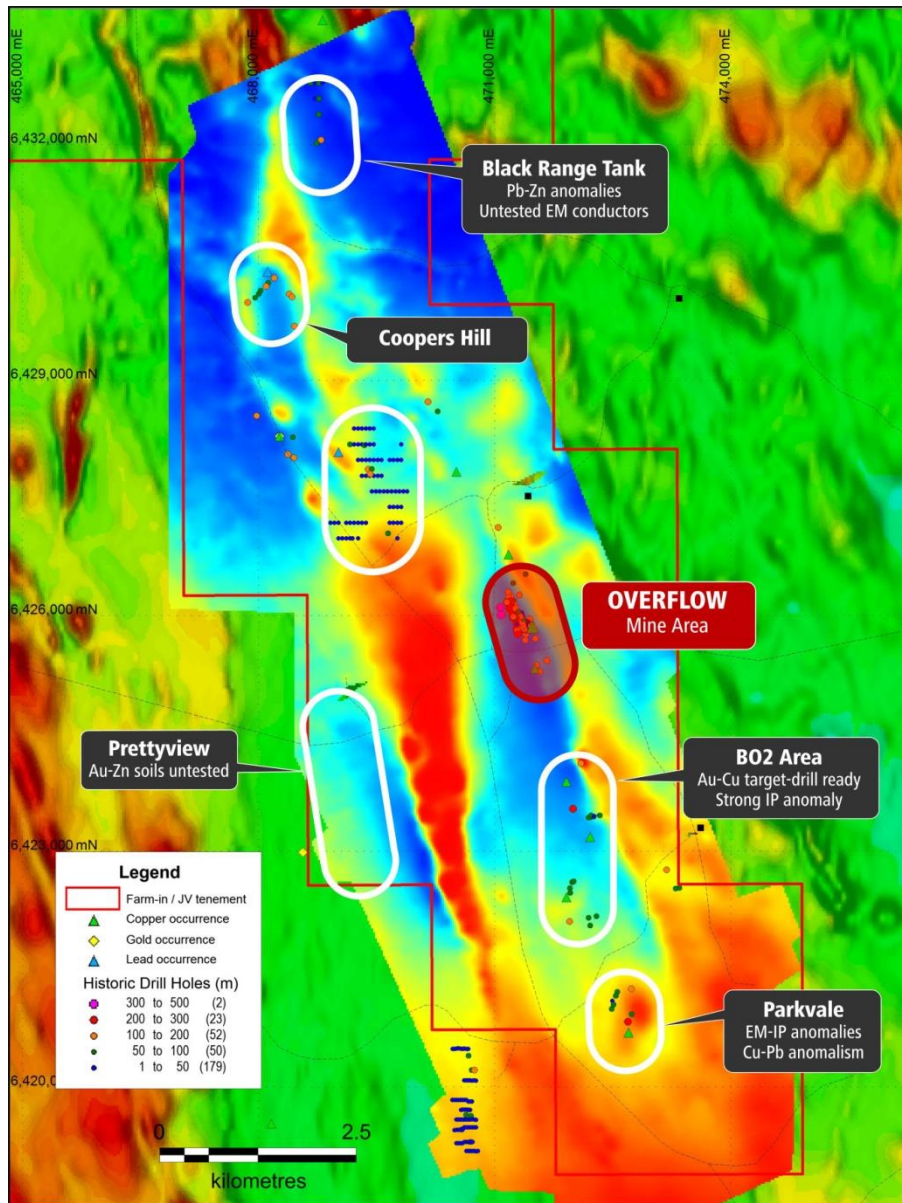


Figure 3: Overflow Gold-Base Metal Project showing Overflow mining centre, historic drilling & mineral occurrences, gold & base metal prospects, over aeromagnetic image and satellite imagery.

Review of Activities

Karonie Project (WA)

(Alchemy 100%)

The Karonie Project, located 100km east of Kalgoorlie, comprises over 230km² of Archean greenstone belt in the Eastern Goldfields in Western Australia (*Figure 4*), and is prospective for high-grade orogenic gold and VMS-style base metal deposits. Karonie is strategically located close to existing processing plants, and given the already substantial gold endowment in the area (>470,000 oz gold), Alchemy is focusing its near-term exploration efforts to the discovery of additional high-grade gold mineralisation.

The Project surrounds Silver Lake Resources Ltd's (ASX: SLR) Harry's Hill deposit with a Probable Reserve of 1.13Mt at 2.4g/t gold for 86,000 oz gold and scheduled for production from FY19. Karonie is along strike from Breaker Resources Ltd's (ASX: BRB) Lake Roe Project where a 6km-long gold anomalous zone has been delineated through shallow drilling, and where initial RC drilling at Bombora (*Figure 4*) has returned high-grade gold assays to over 20g/t gold. The Karonie Project has a high-quality geological setting, located between major, regional-scale fault zones (*Figure 4*), and in a position which hosts Saracen Mineral Holdings Ltd's (ASX: SAR) Karari-Carosue Dam gold deposits 75km to the north.

The Karonie Project has seen exploration carried out in various phases since the 1980's, with supergene gold mined from Karonie Main Zone-Harry's Hill (excised from the project area) by Freeport McMoran Ltd and Poseidon Gold Ltd between 1987 and 1992 producing 1.593Mt at 3.67g/t gold.

Historic rotary air blast and aircore drilling outlined a series of >4km strike length gold anomalous trends, including Little Peck–Esplanade, Admiral, Batavia and Challenger in the southern half of the Karonie Project. The shallow drilling indicates that the Project area has a complex regolith and areas with shallow gold anomalism require deeper RC drilling to adequately test identified targets.

Previous, wide-spaced, first-pass RC drilling, undertaken to test some of the targets delineated by the shallow drilling, returned numerous high-grade gold intercepts in bedrock at multiple prospects, including 2m at 12.06 g/t gold from 182m, 1m at 39.07 g/t gold from 121m, and 8m at 3.30 g/t gold from 128m at Batavia, 10m at 1.46 g/t gold from 128m at Challenger, and 5m at 2.86g/t gold from 101m and 1m at 21.35g/t gold from 133m at Little Peck-Esplanade.

The KZ5 prospect at the northern end of the Karonie Project (*Figure 4*) has gold and base metal anomalism over a strike extent of 1.2km, outlined by broad-spaced historic drilling, and with untested IP and EM anomalies. The mineralisation is VMS-style and has returned anomalous gold-zinc intercepts, including 20m at 1.58 g/t gold from 190m and 14m at 0.44% zinc from 202m, 26m at 0.74 g/t gold and 0.36% zinc from 140m and 12m at 1.37 g/t gold and 0.71% zinc from 42m.

The Batavia, Challenger and Little Peck-Esplanade gold prospects and the base metal-gold anomalism at the KZ5 prospect have been identified for near-term exploration, with targeted RC drill follow-up of the high-grade intercepts to commence once the exploration licences are granted and statutory approvals are in place.

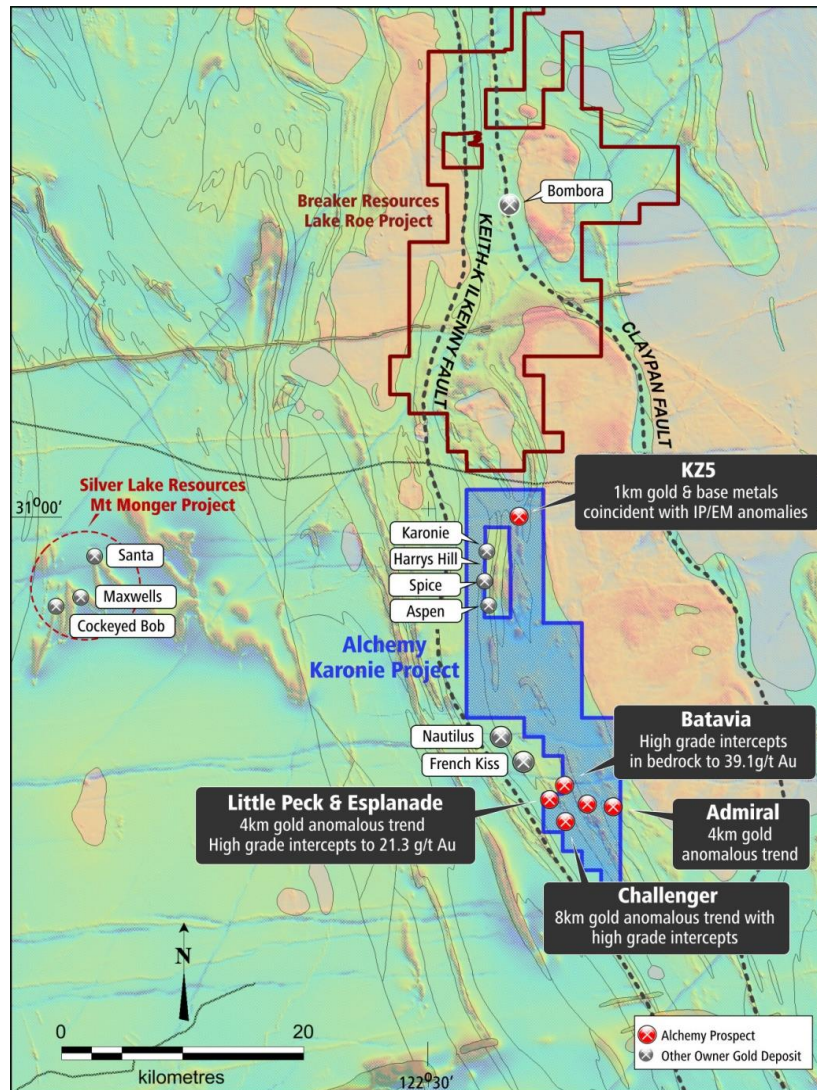


Figure 4: Karonie Project (in blue) showing gold prospects, over geology, major faults and aeromagnetic image.

Bryah Basin Project (WA)

(100% or 80% Alchemy Resources Ltd)

Alchemy’s Bryah Basin Project comprises a 500km² ground 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 5). Alchemy holds 100% interest in the project with the exception of several tenements held in joint-venture (Alchemy 80%) with Fe Ltd (ASX: FEL).

Alchemy retains its interests in the base metal and gold prospective Bryah Basin Project through farm-in and joint venture agreements with leading Australian miners, Independence Group NL (ASX: IGO) and Northern Star Resources Ltd (ASX: NST). Should a high-value base metal or gold discovery be made, Alchemy retains the right to participate as a 20% partner, an equity position that should deliver significant value to shareholders. Alchemy also has a 1% net-smelter royalty over future production from 50,000 oz to 70,000 oz gold from the Hermes gold deposit (Figure 5), where Northern Star has released a maiden Probable Ore Reserve of 101,000 oz gold (1.565Mt at 2.0g/t gold).

Review of Activities

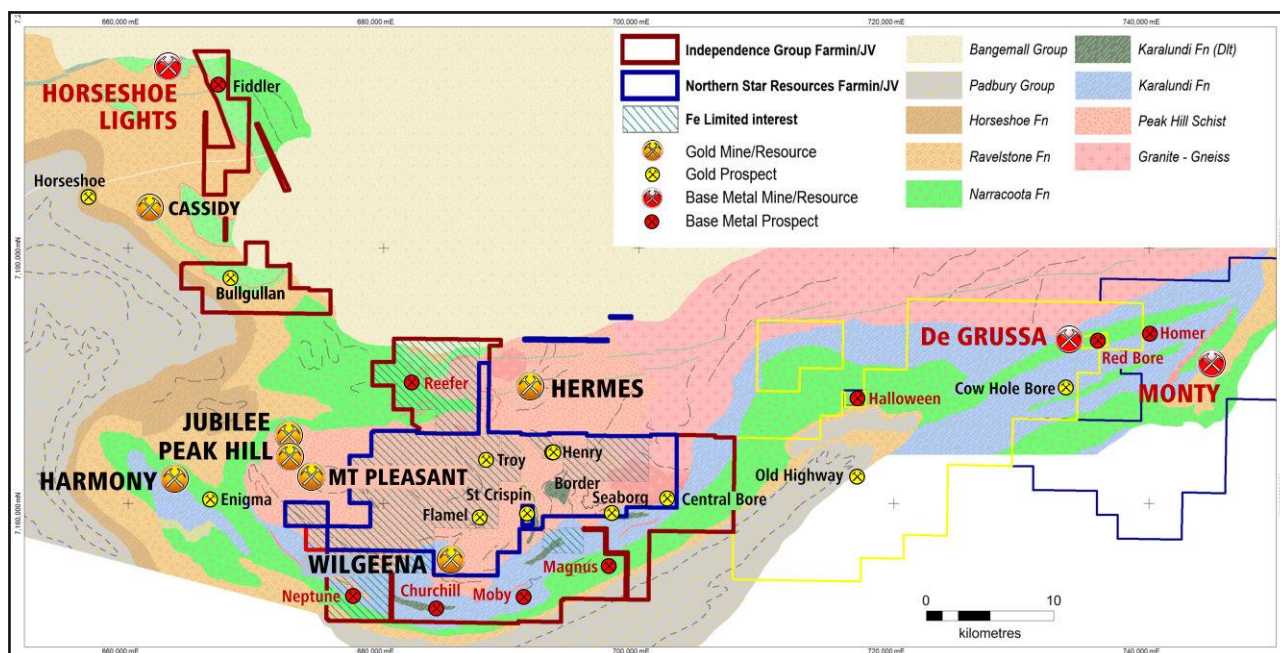


Figure 5: Bryah Basin Project – IGO JV and Northern Star JV areas and gold and base metal prospects.

Base Metals Exploration (Independence earning up to 80%)

Australian base metal and gold producer Independence continues to explore and earn an interest (“IGO JV”) in the whole and part tenements that cover the base metal prospective part of the Bryah Basin Project. Under the terms of the IGO JV, Independence can earn up to 80% in Alchemy’s interests (excluding iron ore rights) 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 IGO JV area contains more than 40km of strike extent of the Karalundi – Narracoota volcano-sedimentary sequence, host to Sandfire Resources’ DeGrussa and Monty copper-gold deposits (Figure 5), and is prospective for discovery of high-value VMS-style copper-gold deposits.

Since commencement of funding base metal exploration in 2014, Independence has completed initial aircore, RC and diamond drilling programs, ground and initial down-hole electromagnetic (“EM”) surveys as well as targeted aeromagnetic and ground gravity surveys.

In the December 2015 quarter, broad-spaced diamond and RC drilling was completed at the Neptune prospect and returned high-order, copper and/or gold anomalism associated with stringer-style to disseminated / blebby, pyrite-dominant sulfide mineralisation. Mineralisation is hosted at three stratigraphic horizons within a 2.5km long, strike-parallel zone within the Karalundi sedimentary-dominated sequence, close to the contact with the overlying mafic-dominated Narracoota sequence.

Review of data at Neptune highlights five target areas, comprising a combination of geochemical, geophysical and structural features, which require follow-up drilling. These targets include an off-hole response from a down-hole EM survey undertaken on the diamond and RC holes, and interpreted to be of high conductance (3000 Siemens) and modelled to lie between drill sections.

In the June 2016 quarter, structural interpretation of these areas, integrating recently acquired aeromagnetic and gravity data was completed, delineating targets for further exploration. Exploration to date has focussed on the Karalundi – Narracoota contact zone. There is increasing evidence to suggest that

Review of Activities

other zones within the IGO JV area, particularly those stratigraphically deeper within the Karalundi sequence, are also highly prospective for VMS-style mineralisation.

Aircore drilling of selected regional targets commenced after year end targeting the Neptune, Churchill and Moby areas as well as reconnaissance drilling in the eastern part of the IGO JV area. The drilling will 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.

Gold Exploration (Northern Star earning up to 80%)

Australian gold producer Northern Star continued exploration of Alchemy's whole and part tenements that cover the gold prospective part of the Bryah Basin Project (*Figure 5*) under a farm-in and joint venture arrangement ("Bryah Basin Northern Star JV").

Under the terms of the Bryah Basin Northern Star JV that commenced in early 2015, up to 80% in Alchemy's interests can be earned through earn-in exploration expenditure of \$1.2M within three years on the gold prospective tenements. Upon fulfilment of the earn-in expenditure, Alchemy's 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 Bryah Basin Northern Star JV is enabling near-term exploration of a number of advanced to grass roots gold targets identified over the gold prospective landholding in the Bryah Basin Project. The Wilgeena prospect currently has Indicated Resources of 87,373 ounces of gold (1.36Mt @ 1.99g/t gold) (*Table 1*). The mineralisation is open at depth and further drilling has excellent potential to expand the area of gold mineralisation and add to the known resource.

Table 1. Indicated Mineral Resource Estimate (0.5g/t cut-off) – October 2012

Deposit	Indicated		
	Tonnes (Mt)	Au grade (g/t)	Au (oz)
Wilgeena	1.36	1.99	87,373

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 Seaborg and Central Bore remains open at depth and potentially along strike, and targeted deeper drilling is required.

Auger geochemical sampling at Seaborg, Flamel and Henry has previously delineated multiple drill targets in areas with thin transported cover. Further auger geochemical drilling programs completed in the December 2015 quarter returned multiple areas with low-order (+6ppb Au) gold anomalism in the Flamel, Henry, Jones, Pelorus and Troy areas, with a peak result of 60.2ppb Au returned from the Pelorus prospect.

Subsequent to year end, Northern Star executed a conditional sale and purchase agreement for the sale of its Plutonic gold operations, which includes its interest in the Bryah Basin Northern Star JV, as a going concern to Billabong Gold Pty Ltd and its parent entity 2525908 Ontario Inc. In September 2016, following a review of the terms of the sale and purchase agreement for the Bryah Basin Northern Star JV assets, Alchemy waived its right of first refusal relating to the Bryah Basin Northern Star JV.

Review of Activities

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 part-time employee and security holder of Alchemy Resources Limited and fairly represents this information. Dr Cassidy is a Fellow 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'). Dr Cassidy 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 Wilgeena Gold Deposit is based on information compiled by Simon Coxhell, who is an employee of CoxsRocks Pty Ltd, a consultant to Alchemy Resources Limited, and fairly represents this information. Mr Coxhell 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 2004 Edition of the Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ('JORC Code 2004'). Mr Coxhell consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

Alchemy confirms that the Exploration Results and the Indicated Mineral Resource at the Wilgeena Gold Deposit were prepared and first disclosed under JORC Code 2004. These have not been updated since to comply with JORC Code 2012 on the basis that the information has not materially changed since last reported on 22 October 2012, and 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.

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 2016. 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:

Oscar Aamodt
Liza Carpena
Lindsay Dudfield
Anthony Ho
Sofia Bianchi (resigned 24 February 2016)

Principal activities

During the year the principal continuing activity of the Group was exploration for copper and gold. 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 2016 was \$561,496 (2015: \$4,776,086).

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 \$47,695 (2015: \$494,947) 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 2016 the Group had net assets of \$13,805,613 (2015: \$14,279,849) including cash and cash equivalents of \$1,255,305 (2015: \$1,821,765).

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 May 2016 Alchemy Resources (NSW) Pty Ltd, a subsidiary of Alchemy Resources Ltd, signed a Farm-In and Joint Venture Agreement ("Agreement") with Heron Resources Ltd ("Heron") for the Lachlan projects in New South Wales. A total of 2,000,000 fully paid ordinary shares and 2,500,000 unlisted options in the Company were issued to Heron in part consideration for the Agreement. In June 2016 a further 5,000,000 unlisted options in the Company were issued in part consideration for corporate services undertaken to secure the Lachlan projects (see note 14).

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

In August 2016 Northern Star Resources Limited executed a legally binding conditional sale and purchase agreement for the sale of its Plutonic gold operations, which includes its interest in the Farm-in and Joint Venture over the whole and part tenements in the gold prospective part of the Bryah Basin Project ("Bryah Basin Northern Star JV"), as a going concern to Billabong Gold Pty Ltd and its parent entity 2525908 Ontario Inc. In September 2016, following a review of the terms of the sale and purchase agreement for the Bryah Basin Northern Star JV assets, Alchemy waived its right of first refusal relating to the Bryah Basin Northern Star JV tenements for the purpose of this transaction only. In addition, Alchemy maintains a royalty over future gold production from 50,000 oz to 70,000 oz from the Hermes gold deposit.

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.

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

Directors' Report

gas emissions and energy use. The Directors have assessed that there are no current reporting requirements for the year ended 30 June 2016, however reporting requirements may change in the future.

Information on directors

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

O Aamodt <i>Independent Chair – non-executive (appointed 25 November 2011)</i>		
Experience and expertise	<p>Mr Aamodt is a member of the Governance Institute of Australia and has more than 30 years' experience in the administration and management of mining and exploration companies in Australia and overseas.</p> <p>Mr Aamodt was a Director of the highly successful ASX-listed mining house Independence Group NL from August 2005 until his resignation in July 2011. He had been Chairman since March 2009 until his resignation.</p> <p>Mr Aamodt also served as a Non-Executive Director and Chairman of Energy Metals Ltd from July 2005 until the completion of a friendly proportional cash takeover by China Guangdong Nuclear Power Corporation in December 2009.</p>	
Other current directorships	None	
Former directorships in last 3 years	None	
Special responsibilities	<p>Chair of the Board</p> <p>Chair of the Remuneration Committee</p> <p>Chair of the Nomination Committee</p> <p>Member of the Audit Committee</p>	
Interests in shares and options	Ordinary Shares – Alchemy Resources Limited	4,420,201

L Carpane <i>Non-executive director (appointed 18 March 2015)</i>		
Experience and expertise	<p>Ms Carpane has worked in the resources industry for 20 years and is currently Company Secretary and Head of Business Administration Services for Northern Star Resources Ltd. Ms Carpane is part of the executive team, and has significant experience in acquisitions, corporate administration, HR, legal, IT and stakeholder relations.</p> <p>Prior to Northern Star Resources Ltd., Ms Carpane 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	None	
Former directorships in last 3 years	None	
Special responsibilities	None	
Interests in shares and options	Ordinary Shares – Alchemy Resources Limited	Nil

Directors' Report

L Dudfield BSc. Non-executive director (appointed 25 November 2011)		
Experience and expertise	Mr Dudfield is a qualified geologist with over 32 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 the Managing 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	Managing director of Jindalee Resources Limited (director since 1996) Non-executive director of Energy Metals Limited (director since 2004)	
Former directorships in last 3 years	Extract Resources Limited (appointed 16 March 2012, resigned 25 June 2012)	
Special responsibilities	Member of the Remuneration Committee Member of the Nomination Committee Member of the Audit Committee	
Interests in shares and options	Ordinary Shares – Alchemy Resources Limited	28,985,706

A Ho Independent non-executive director (appointed 25 November 2011)		
Experience and expertise	Mr Ho is a Chartered Accountant and a partner in a consulting practice 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.	
Other current directorships	Executive director of Newfield Resources Limited (director since 2011) Non-executive director of Australian Agricultural Projects Australia Limited (director since 2003) Non-executive director of Mustera Property Group Limited (director since 2014) Non-executive director of Glory Resources Limited (now de-listed) (director since 2014)	
Former directorships in last 3 years	Non-executive director of Siburan Resources Limited (appointed 12 November 2009, resigned 25 November 2014) Dragon Energy Limited (appointed 18 December 2008, resigned 13 June 2012) Audalia Resources Limited (appointed 27 August 2010, resigned 17 August 2011)	
Special responsibilities	Chair of the Audit Committee Member of the Remuneration Committee Member of the Nomination 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 2016, and the numbers of meetings attended by each director were:

	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	A	A	B
O Aamodt	6	6	2	2	1	1	1	1
L Carpene	6	6	*	*	*	*	*	*
L Dudfield	6	6	2	2	1	1	1	1
A Ho	6	6	1	2	1	1	1	1
S Bianchi	2	3	*	*	*	*	*	*

(resigned 24 February 2016)

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 Aamodt, being a director retiring by rotation who, being eligible, may offer himself for re-election at the Annual General Meeting.

REMUNERATION REPORT (Audited)

The directors present the Alchemy Resources Limited 2016 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 2015 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 15 to 16 for details about each director)</i>	
O Aamodt	Chair – Non-executive
L Carpene	Non-executive director
L Dudfield	Non-executive director
A Ho	Non-executive director
S Bianchi	Non-executive director (resigned 24 February 2016)

Other key management personnel

Name	Position
K Cassidy	Chief Executive Officer
B Crawford	Company Secretary and Chief Financial Officer

(b) Remuneration governance and the use of remuneration consultants

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- the over-arching executive remuneration framework;
- operation of the incentive plans which apply to executive directors and senior executives (the executive team), including key performance indicators and performance hurdles;
- remuneration levels of executives; and
- non-executive director fees.

Their 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. That is, 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 period ended 30 June 2016.

The Corporate Governance Statement provides further information on the role of the Remuneration Committee.

(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

Directors' Report

- 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 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 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 2015 Annual General Meeting

Alchemy Resources Limited received more than 98% of "yes" votes on its remuneration report for the 2015 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.

2016	Short-term benefits			Post-employment benefits	Share-based payment	% of Remuneration to total from		
	Salary and Fees	Cash Bonus	Non-Monetary Benefit	Super-annuation	Options	Total	Options %	Bonus %
Name	\$	\$	\$	\$	\$	\$	%	%
Directors								
O Aamodt	25,000	-	-	-	-	25,000	-	-
S Bianchi ⁽¹⁾	-	-	-	-	-	-	-	-
L Carpena	-	-	-	-	-	-	-	-
L Dudfield	-	-	-	-	-	-	-	-
A Ho	19,998	-	-	-	-	19,998	-	-
Executives								
K Cassidy	159,708	-	-	15,172	-	174,880	-	-
B Crawford	84,900	-	-	-	-	84,900	-	-
Totals	289,606	-	-	15,172	-	304,778		

(1) Resigned 24 February 2016

2015	Short-term benefits			Post-employment benefits	Share-based payment	% of Remuneration to total from		
	Salary and Fees	Cash Bonus	Non-Monetary Benefit	Super-annuation	Options	Total	Options %	Bonus %
Name	\$	\$	\$	\$	\$	\$	%	%
Directors								
O Aamodt	25,000	-	-	-	-	25,000	-	-
S Bianchi	-	-	-	-	-	-	-	-
L Carpena	-	-	-	-	-	-	-	-
L Dudfield	-	-	-	-	-	-	-	-
A Ho	19,998	-	-	-	-	19,998	-	-
Executives								
K Cassidy	147,807	-	-	12,160	16,794	176,761	11%	-
B Crawford	112,800	-	-	-	2,519	115,319	2%	-
Totals	305,605	-	-	12,160	19,313	337,078		

(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

Directors' Report

for other members of key management personnel are formalised in service agreements as summarised below.

K Cassidy, Chief Executive Officer

Dr Cassidy is remunerated pursuant to an ongoing Executive Employment Agreement. Dr Cassidy was paid salary and superannuation of \$174,880 for the year ended 30 June 2016. The notice period (other than for gross misconduct) is three months.

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 \$84,900 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.

No options were provided as remuneration to senior management during the current year. The details of outstanding options in the Company previously provided as remuneration to senior management are set out below.

Option series	Grant date	Vesting and exercise date	Expiry date	Exercise price	Value per option at grant date	% Vested
10	23 Sep 2014	23 Sep 2014	31 Oct 2017	\$0.10	\$0.009458	100%
11	23 Sep 2014	23 Sep 2014	31 Oct 2017	\$0.20	\$0.007336	100%

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.

Further information on the fair value of share options and assumptions is set out in note 23 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.

Directors' Report

Options

	Opening Balance 1 July	Granted as remuneration	Options exercised	Net change other	Balance at 30 June	Vested but not exercisable	Vested and exercisable	Vested during the year
2016								
Executives								
K Cassidy	2,000,000	-	-	-	2,000,000	-	2,000,000	-
B Crawford	300,000	-	-	-	300,000	-	300,000	-
	2,300,000	-	-	-	2,300,000	-	2,300,000	-
2015								
Executives								
K Cassidy	400,000	2,000,000	-	(400,000)	2,000,000	-	2,000,000	2,000,000
B Crawford	200,000	300,000	-	(200,000)	300,000	-	300,000	300,000
	600,000	2,300,000	-	(600,000)	2,300,000	-	2,300,000	2,300,000

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

Shareholdings

	Opening Balance 1 July	Granted as remuneration	Options exercised	Net change other	Balance at 30 June
2016					
Directors					
O Aamodt	4,420,201	-	-	-	4,420,201
L Dudfield	28,985,706	-	-	-	28,985,706
Executives					
K Cassidy	500,000	-	-	-	500,000
B Crawford	900,000	-	-	-	900,000
	34,805,907	-	-	-	34,805,907
2015					
Directors					
O Aamodt	4,420,201	-	-	-	4,420,201
L Dudfield	28,687,482	-	-	298,224	28,985,706
Executives					
K Cassidy	500,000	-	-	-	500,000
B Crawford	900,000	-	-	-	900,000
	34,507,683	-	-	298,224	34,805,907

As at the date of this report the shareholdings of key management personnel were the same as at 30 June 2016.

(k) Loans to key management personnel

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

Directors' Report

(I) Other transactions with key management personnel

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
23 September 2014	31 October 2017	\$0.10	1,500,000
23 September 2014	31 October 2017	\$0.20	1,500,000
1 June 2016	31 May 2019	\$0.10	2,500,000
28 June 2016	31 May 2019	\$0.10	5,000,000
			<hr/> <hr/> 10,500,000

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.

Corporate Governance Statement

The Company's 2016 Corporate Governance Statement has been released as a separate document and is located on the Company's website at <http://www.alchemyresources.com.au/index.php/corporate-list?id=25>

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.

Directors' Report

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 18. During the year ended 30 June 2016 no fees were paid or were payable for non-audit services provided by the auditor of the consolidated entity (2015: \$Nil).

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Auditor's Independence Declaration

The 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



Oscar Aamodt
Chairman

Perth, 23 September 2016

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF ALCHEMY RESOURCES LIMITED

As lead auditor of Alchemy Resources Limited for the year ended 30 June 2016, 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.



Dean Just
Director

BDO Audit (WA) Pty Ltd

Perth, 23 September 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016

	Notes	Consolidated	
		2016 \$	2015 \$
Continuing operations			
Other income	3	72,678	74,273
Corporate expense	3	(262,943)	(232,913)
Employee expense	3	(173,398)	(110,096)
Administration expense	3	(150,138)	(198,075)
Impairment expense	9	-	(3,958,878)
Exploration expense	9	(47,695)	(494,947)
Finance costs		-	(3,172)
Loss from continuing operations before income tax		(561,496)	(4,923,808)
Income tax benefit	5	-	147,722
Loss after income tax for the period attributable to the owners of Alchemy Resources Limited		(561,496)	(4,776,086)
Other comprehensive income		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period attributable to the owners of Alchemy Resources Limited		(561,496)	(4,776,086)
		Cents per share	Cents per share
Loss per share attributable to the owners of Alchemy Resources Limited			
- basic loss per share	17	0.25	2.41
- diluted loss per share	17	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 2016

		Consolidated	
	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,255,305	1,821,765
Trade and other receivables	7	16,484	42,620
Other current assets	8	4,122	5,744
Total Current Assets		1,275,911	1,870,129
Non-Current Assets			
Exploration and evaluation	9	12,627,711	12,453,879
Property, plant and equipment	10	18,329	52,590
Total Non-Current Assets		12,646,040	12,506,469
TOTAL ASSETS		13,921,951	14,376,598
LIABILITIES			
Current Liabilities			
Trade and other payables	12	96,630	71,434
Provisions	13	19,708	25,315
Total Current Liabilities		116,338	96,749
TOTAL LIABILITIES		116,338	96,749
NET ASSETS		13,805,613	14,279,849
EQUITY			
Contributed equity	14	29,313,022	29,285,022
Reserves	15	503,907	444,647
Accumulated losses	16	(16,011,316)	(15,449,820)
TOTAL EQUITY		13,805,613	14,279,849

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 2016

	Attributable to equity holders of the entity			
	Issued Capital	Option Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2014	28,635,022	419,456	(10,673,734)	18,380,744
Loss for the period	-	-	(4,776,086)	(4,776,086)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period net of tax	-	-	(4,776,086)	(4,776,086)
Transactions with owners in their capacity as owners				
Issue of shares	650,000	-	-	650,000
Share based payments	-	25,191	-	25,191
At 30 June 2015	29,285,022	444,647	(15,449,820)	14,279,849
	Attributable to equity holders of the entity			
	Issued Capital	Option Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
At 1 July 2015	29,285,022	444,647	(15,449,820)	14,279,849
Loss for the period	-	-	(561,496)	(561,496)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period net of tax	-	-	(561,496)	(561,496)
Transactions with owners in their capacity as owners				
Issue of shares	28,000	-	-	28,000
Issue of options	-	59,260	-	59,260
At 30 June 2016	29,313,022	503,907	(16,011,316)	13,805,613

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 2016

	Notes	Consolidated	
		2016 \$	2015 \$
Cash flows from operating activities			
Payments to suppliers and employees		(490,026)	(449,560)
Interest income		53,658	12,267
Interest expense		-	(3,172)
Research and development tax rebate received		-	183,832
Net cash flows from/(used in) operating activities	24	(436,368)	(256,633)
Cash flows from investing activities			
Proceeds from sale of prospects		-	1,450,000
Purchase of property, plant & equipment		(3,187)	-
Proceeds from sale of property, plant & equipment		-	60,000
Payment for exploration assets		(126,905)	(436,060)
Net cash flows from/(used in) investing activities		(130,092)	1,073,940
Cash flows from financing activities			
Proceeds from issue of shares		-	500,000
Payment of finance lease		-	(48,715)
Net cash flows from financing activities		-	451,285
Net increase / (decrease) in cash and cash equivalents		(566,460)	1,268,592
Cash and cash equivalents at beginning of period		1,821,765	553,173
Cash and cash equivalents at end of period	6	1,255,305	1,821,765

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 2016

1. Corporate Information

The consolidated financial report of Alchemy Resources Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 23 September 2016.

Alchemy Resources Limited is a for profit company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange. The nature of the operation and principal activities of the 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 2015 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 2013-9: Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*
- *AASB 2015-3: Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031: Materiality*

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 2016

New or revised requirement	Application date of standard	Application date for Group
<p><i>AASB 9: Financial Instruments</i></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>	1 Jan 2018	1 Jul 2018
<p><i>AASB 2014-3: Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations</i></p> <p>AASB 2014-3 amends AASB 11 <i>Joint Arrangements</i> to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.</p>	1 Jan 2016	1 Jul 2016
<p><i>AASB 2014-4: Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation</i></p> <p>This Standard makes amendments to AASB 116: <i>Property, Plant and Equipment</i> and AASB 138: <i>Intangible Assets</i> to establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.</p>	1 Jan 2016	1 Jul 2016
<p><i>AASB 15: Revenue from Contracts with Customers</i></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>	1 Jan 2018	1 Jul 2018
<p><i>AASB 1057: Application of Australian Accounting Standards</i></p> <p>This Standard lists the application paragraphs for each other Standard (and Interpretation), grouped where they are the same.</p>	1 Jan 2016	1 Jul 2016
<p><i>AASB 2014-9: Amendments to Australian Accounting Standards - Equity Method in Separate Financial Statements</i></p> <p>This Standard amends AASB 127: <i>Separate Financial Statements</i>, and consequentially AASB 1: <i>First-time Adoption of Australian Accounting Standards</i> and AASB 128: <i>Investments in Associates and Joint Ventures</i>, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.</p>	1 Jan 2016	1 Jul 2016

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

New or revised requirement	Application date of standard	Application date for Group
<p>AASB 2014-10: <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></p> <p>This Standard amends AASB 10: <i>Consolidated Financial Statements</i> and AASB 128: <i>Investments in Associates and Joint Ventures</i> to address an inconsistency between the requirements in AASB 10 and those in AASB 128 (August 2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p>	1 Jan 2018	1 Jul 2018
<p>AASB 2015-1: <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012 - 2014 Cycle</i></p> <p>This Standard makes non-urgent but necessary amendments to a number of Australian Accounting Standards arising from the issuance of International Financial Reporting Standard <i>Annual Improvements to IFRSs 2012 - 2014 Cycle</i> in September 2014 by the International Accounting Standards Board.</p>	1 Jan 2016	1 Jul 2016
<p>AASB 2015-2: <i>Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101</i></p> <p>This Standard makes amendments to AASB 101: <i>Presentation of Financial Statements</i> arising from International Accounting Standards Board, Disclosure Initiative project. The amendments are designed to encourage companies to apply professional judgement in determining what information to disclose in the financial statements.</p>	1 Jan 2016	1 Jul 2016
<p>AASB 2015-9: <i>Amendments to Australian Accounting Standards - Scope and Application Paragraphs</i></p> <p>This Standard inserts scope paragraphs in AASB 8: <i>Operating Segments</i> and AASB 133: <i>Earnings per Share</i> in place of the application paragraphs of AASB 1057: <i>Application of Australian Accounting Standards</i>.</p>	1 Jan 2016	1 Jul 2016
<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>	1 Jan 2019	1 Jul 2019

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

New or revised requirement	Application date of standard	Application date for Group
<p>2016-1: <i>Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses</i></p> <p>This Standard makes amendments to AASB 112: <i>Income Taxes</i> (July 2004) and AASB 112: <i>Income Taxes</i> (August 2015) to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.</p>	1 Jan 2017	1 Jul 2017
<p>2016-2: <i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i></p> <p>This Standard amends AASB 107: <i>Statement of Cash Flows</i> (August 2015) to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.</p>	1 Jan 2017	1 Jul 2017
<p>IFRS 2: <i>Clarifications of Classification and Measurement of Share Based Payment Transactions</i></p> <p>This Standard amends IFRS 2: <i>Share-based Payment</i> to clarify how to account for certain types of share based payment transactions.</p>	1 Jan 2018	1 Jul 2018

The Group will make a more detailed assessment of the impact of these standards over the next twelve months.

(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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

(c) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2016 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model.

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”.

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.

(e) Segment reporting

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.

(f) 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 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

(g) Revenue recognition

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.

(h) Income tax

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 for each jurisdiction, 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 regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Alchemy Resources Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) 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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

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.

(j) 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.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(l) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are 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 amount of the provision is the

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the profit or loss.

(m) Exploration and evaluation expenditure

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.

(n) Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, or in the case of certain leased plant and equipment, the shorter lease term as follows:

- Motor vehicles 5 – 7 years
- Office and computer equipment 3 – 5 years
- Furniture, fittings and equipment 3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss. When re-valued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(p) Employee benefits

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.

The obligations are presented as current liabilities in the statement of financial position if the entity 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

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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.

Share-Based Payments

The Group provides benefits to employees of the Company in the form of share options. 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 fair value of the options granted is measured using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

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

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

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value. No termination benefits, other than accrued benefits and entitlements, were paid during the period.

(q) Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Earnings per share

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 2016

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.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) 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 2016

	Consolidated	
	2016	2015
	\$	\$
3. Revenue and Expenses		
Other income		
Finance income – banks	43,064	20,944
Other	29,614	53,329
Total other income	72,678	74,273
Expenses		
<i>Corporate expense</i>		
Company secretary fees	84,900	112,800
Other corporate expenses	178,043	120,113
Total corporate expense	262,943	232,913
<i>Employee expense</i>		
Employee benefit and director compensation expense	169,705	79,164
Expense of share based payments	-	25,191
Other employee expenses	3,693	5,741
Total employee expense	173,398	110,096
<i>Administration expense</i>		
Depreciation	34,377	57,866
Occupancy	42,857	61,455
Loss / (gain) on sale of assets	-	(19,550)
Other administration expenses	72,904	98,304
Total administration expense	150,138	198,075

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

4. Segment information

The Group operates in one geographical segment, being Western 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 Western Australia.

	Mineral Exploration	Unallocated	Consolidation
	\$	\$	\$
2016			
<i>Segment income</i>			
Other income	18,500	54,178	72,678
Total income	18,500	54,178	72,678
<i>Segment expense</i>			
Exploration expense	(47,695)	-	(47,695)
Net other costs	(69,077)	(483,025)	(552,102)
Profit / (loss) before amortisation and depreciation	(98,272)	(428,847)	(527,119)
Amortisation and depreciation	-	(34,377)	(34,377)
Profit / (loss) before income tax benefits	(98,272)	(463,224)	(561,496)
R&D concession	-	-	-
Total comprehensive income / (loss) for the period	(98,272)	(463,224)	(561,496)
<i>Segment assets and liabilities</i>			
Assets	12,614,698	1,307,253	13,921,951
Liabilities	263	116,075	116,338
Net assets	12,614,435	1,191,178	13,805,613
2015	\$	\$	\$
<i>Segment income</i>			
Other income	53,398	20,875	74,273
Total income	53,398	20,875	74,273
<i>Segment expense</i>			
Exploration expense	(4,453,825)	-	(4,453,825)
Net other costs	(2,041)	(484,349)	(486,390)
Profit / (loss) before amortisation and depreciation	(4,402,468)	(463,474)	(4,865,942)
Amortisation and depreciation	-	(57,866)	(57,866)
Profit / (loss) before income tax benefits	(4,402,468)	(521,340)	(4,923,808)
R&D concession	147,722	-	147,722
Total comprehensive income / (loss) for the period	(4,254,746)	(521,340)	(4,776,086)
<i>Segment assets and liabilities</i>			
Assets	12,459,958	1,916,640	14,376,598
Liabilities	2,883	93,866	96,749
Net assets	12,457,075	1,822,774	14,279,849

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
5. Income Tax		
Major components of income tax expense are as follows:		
Consolidated Statement of Profit or Loss and Other Comprehensive Income		
Current income tax		
- At the rate of 28.5% (2015: 30%)	-	115,289
- Current income tax charge	-	-
- R&D tax concession	-	(147,722)
Deferred income tax		
- Relating to origination and reversal of temporary differences	-	-
- Utilisation of prior year tax losses	-	(115,289)
Income tax expense / (benefit) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	-	(147,722)
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	(561,496)	(4,923,808)
At the statutory income tax rate of 28.5% (2015: 30%)	(160,026)	(1,477,142)
<i>Add</i>		
- Non-deductible expenses	-	-
- Share based payment	11,259	7,557
- Tax loss not brought to account as a deferred tax asset	166,392	1,488,138
- Capital raising costs	(17,625)	(18,553)
- R&D tax concession	-	(147,722)
Income tax expense / (benefit) reported in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	-	(147,722)

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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
5. Income Tax (continued)		
Deferred income tax		
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	3,585,288	3,736,163
- Trade and other receivables	1,349	5,085
	3,586,637	3,741,248
<i>Deferred income tax assets</i>		
- Trade and other payables	(5,620)	(7,761)
- Employee benefits	(5,617)	(7,595)
- Capitalised expenditure non-deductible for tax purposes	(2,078)	(3,280)
- Tax losses	(3,573,322)	(3,722,612)
	-	-
<i>Net deferred tax asset / (liability)</i>	-	-

On 30 June 2016, Alchemy Resources Ltd had \$28,066,569 (2015: \$27,356,002) 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 2016, the government enacted a change in the income tax rate for small business entities from 30% to 28.5%. Alchemy Resources Limited satisfies the criteria to be a small business entity.

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

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
6. Cash and cash equivalents		
Cash at bank and on hand	338,805	306,965
Deposits at call	916,500	1,514,800
	<u>1,255,305</u>	<u>1,821,765</u>

The weighted average interest rate for the year was 2.73% (2015: 2.07%).

The Group's exposure to interest rate risk is set out in note 22. 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	15,872	9,002
Other	612	33,618
	<u>16,484</u>	<u>42,620</u>

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 22.

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

8. Other current assets

Prepayments	4,122	5,744
	<u>4,122</u>	<u>5,744</u>

9. Exploration and evaluation

Opening balance	12,453,879	17,809,030
Carrying value of tenements sold	-	(1,450,000)
Impairment expense	-	(3,958,878)
Exploration expenditure incurred during the year	221,527	548,674
Exploration expenditure written off	(47,695)	(494,947)
	<u>12,627,711</u>	<u>12,453,879</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

9. Exploration and evaluation (continued)

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

	Consolidated	
	2016	2015
	\$	\$
10. Property, plant and equipment		
Motor vehicle		
- At cost	55,187	70,096
- Accumulated depreciation	(55,187)	(57,593)
Total motor vehicle	-	12,503
Mobile accommodation		
- At cost	164,296	164,296
- Accumulated depreciation	(148,220)	(124,685)
Total mobile accommodation	16,076	39,611
Office equipment		
- At cost	6,968	6,968
- Accumulated depreciation	(6,968)	(6,968)
Total office equipment	-	-
Computer equipment		
- At cost	86,768	83,581
- Accumulated depreciation	(84,515)	(83,105)
Total computer equipment	2,253	476
Field equipment		
- At cost	82,138	82,138
- Accumulated depreciation	(82,138)	(82,138)
Total field equipment	-	-
Total property, plant and equipment	18,329	52,590

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

10. Property, plant and equipment (continued)

Movement in carrying amounts

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

	Motor Vehicles \$	Mobile Accom. \$	Office Equipment \$	Computer Equipment \$	Field Equipment \$	Total \$
2016						
Consolidated:						
Balance at the beginning of the year	12,503	39,611	-	476	-	52,590
Depreciation expense	(9,432)	(23,535)	-	(1,410)	-	(34,377)
Acquisitions	-	-	-	3,187	-	3,187
Disposals	(3,071)	-	-	-	-	(3,071)
Carrying amount at the end of the year	-	16,076	-	2,253	-	18,329

	Motor Vehicles \$	Mobile Accom. \$	Office Equipment \$	Computer Equipment \$	Field Equipment \$	Total \$
2015						
Consolidated:						
Balance at the beginning of the year	72,722	63,082	923	2,954	11,225	150,906
Depreciation expense	(19,769)	(23,471)	(923)	(2,478)	(11,225)	(57,866)
Disposals	(40,450)	-	-	-	-	(40,450)
Carrying amount at the end of the year	12,503	39,611	-	476	-	52,590

11. Subsidiaries

Details of the Company's subsidiaries are as follows:

Subsidiary	Principal Activity	Country of Incorporation	Proportion of Ownership	
			2016	2015
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%	n/a

Alchemy Resources (NSW) Pty Ltd was incorporated on 19 May 2016 to hold the Group's interest in the Farm-in and Joint Venture Agreement with Heron Resources Ltd to earn up to an 80% interest in the gold and base metal projects in the Lachlan province of New South Wales.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
12. Trade and other payables		
Trade creditors and accruals	<u>96,630</u>	<u>71,434</u>
<p>Trade creditors are 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 22. Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.</p>		
13. Provisions		
Current		
Employee benefits	<u>19,708</u>	<u>25,315</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

	Consolidated	
	2016 \$	2015 \$
14. Contributed equity		
a) Share capital		
Ordinary shares fully paid	29,313,022	29,285,022
	Consolidated Number	\$
b) Movements in ordinary shares on issue		
Balance at 1 July 2014	185,454,701	28,635,022
Issue of shares to Troy Resources Limited	10,000,000	150,000
Placement to Northern Star Resources Limited	33,333,334	500,000
Balance at 30 June 2015	228,788,035	29,285,022
Issue of shares to Heron Resources Limited (see note 23)	2,000,000	28,000
Balance at 30 June 2016	230,788,035	29,313,022

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	
	2016 Number	2015 Number
c) Movements in options on issue		
Balance at beginning of the financial year	3,000,000	975,000
Options granted	7,500,000	3,000,000
Options expired	-	(975,000)
Balance at end of the financial year	10,500,000	3,000,000

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
15. Reserves		
Options Reserve		
Opening balance	444,647	419,456
Options issued	59,260	25,191
Balance at the end of the financial year	<u>503,907</u>	<u>444,647</u>
The options reserve is used to recognise the fair value of options issued to employees and contractors.		
16. Accumulated losses		
Balance at the beginning of the financial year	(15,449,820)	(10,673,734)
Net loss attributable to members	(561,496)	(4,776,086)
Balance at the end of the financial year	<u>(16,011,316)</u>	<u>(15,449,820)</u>
	2016	2015
	cents	cents
17. Earnings per share		
- basic loss per share	0.25	2.41
- 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	<u>(561,496)</u>	<u>(4,776,086)</u>
	2016	2015
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	<u>228,946,505</u>	<u>198,212,692</u>
	2016	2015
	\$	\$
18. Auditor's remuneration		
Audit services		
BDO Audit (WA) Pty Ltd		
- Audit and review of the financial reports	25,365	23,292
Total remuneration	<u>25,365</u>	<u>23,292</u>

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

19. Contingent assets and liabilities

The Group had contingent liabilities at 30 June 2016 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") 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").

In March 2015, Alchemy completed the purchase of the Reserve Payment from Troy via the issue of 10 million fully paid Alchemy shares.

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 2016 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 for a purchase price of \$1,450,000 and a placement of 33.33M ordinary fully paid Alchemy shares to Northern Star at a subscription price of \$0.015 each to raise \$500,000.

In addition, 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 2016.

20. Events occurring after the reporting period

In August 2016 Northern Star Resources Limited executed a legally binding conditional sale and purchase agreement for the sale of its Plutonic gold operations, which includes its interest in the Farm-in and Joint Venture over the whole and part tenements in the gold prospective part of the Bryah Basin Project ("Bryah Basin Northern Star JV"), as a going concern to Billabong Gold Pty Ltd and its parent entity 2525908 Ontario Inc. In September 2016, following a review of the terms of the sale and purchase agreement for the Bryah Basin Northern Star JV assets, Alchemy waived its right of first refusal relating to the Bryah Basin Northern Star JV tenements for the purpose of this transaction only.

Apart from the above, there have been no events subsequent to reporting date which are sufficiently material to warrant disclosure.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

21. 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 \$1,945,820 (2015: \$1,206,620) per annum.

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

	Consolidated	
	2016	2015
	\$	\$
Within 1 year	11,363	13,449
Later than one year but not later than five years	-	-
Later than five years	-	-
	<hr/>	<hr/>
	11,363	13,449
	<hr/>	<hr/>

22. 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.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

22. Financial risk management objectives and policies (continued)

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.

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

Consolidated – 2016	Floating interest rate \$	Fixed interest rate maturing in			Non interest bearing \$	Total \$
		1 Year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets						
Cash and cash equivalents	293,604	916,500	-	-	45,201	1,255,305
Trade and other receivables	-	-	-	-	16,484	16,484
	293,604	916,500	-	-	61,685	1,271,789
Weighted average interest rate	1.29%	3.02%	-	-	-	-
Financial liabilities						
Trade and other payables	-	-	-	-	96,630	96,630
	-	-	-	-	96,630	96,630
Weighted average interest rate	-	-	-	-	-	-
Consolidated – 2015	Floating interest rate \$	Fixed interest rate maturing in			Non interest bearing \$	Total \$
		1 Year or less \$	Over 1 to 5 years \$	More than 5 years \$		
Financial assets						
Cash and cash equivalents	301,309	1,514,800	-	-	5,656	1,821,765
Trade and other receivables	-	-	-	-	42,620	42,620
	301,309	1,514,800	-	-	48,276	1,864,385
Weighted average interest rate	1.95%	2.24%	-	-	-	-
Financial liabilities						
Trade and other payables	-	-	-	-	71,434	71,434
	-	-	-	-	71,434	71,434
Weighted average interest rate	-	-	-	-	-	-

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

22. Financial risk management objectives and policies (continued)

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:

	Carrying value at period end	Profit or loss		Equity	
		100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Consolidated - 2016	\$	\$	\$	\$	\$
Financial assets	1,255,305	15,785	(15,785)	15,785	(15,785)
Cash and cash equivalents					
Cash flow sensitivity (net)		15,785	(15,785)	15,785	(15,785)

	Carrying value at period end	Profit or loss		Equity	
		100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Consolidated - 2015	\$	\$	\$	\$	\$
Financial assets	1,821,765	10,117	(10,117)	10,117	(10,117)
Cash and cash equivalents					
Cash flow sensitivity (net)		10,117	(10,117)	10,117	(10,117)

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 2016

22. 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	
	2016	2015
	\$	\$
Cash and cash equivalents	1,255,305	1,821,765
Trade & other receivables	16,484	42,620
	<hr/>	<hr/>
	1,271,789	1,864,385
	<hr/>	<hr/>

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 2016

22. Financial risk management objectives and policies (continued)

Consolidated - 2016	Contractual cash flows	
	Carrying amount	6 months or less
	\$	\$
Trade and other payables	96,630	96,630
	96,630	96,630
Receivables	16,484	16,484
	16,484	16,484

Consolidated - 2015	Contractual cash flows	
	Carrying amount	6 months or less
	\$	\$
Trade and other payables	71,434	71,434
	71,434	71,434
Receivables	42,620	42,620
	42,620	42,620

Fair value of financial assets and liabilities

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

Capital risk management

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

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

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 2016

23. 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 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	1,500,000	23 Sep 2014	31 Oct 2017	Immediate	\$0.10	\$0.009458
11	1,500,000	23 Sep 2014	31 Oct 2017	Immediate	\$0.20	\$0.007336

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 issued during the year was \$Nil (2015: \$25,191)

No Scheme options were granted during the year ended 30 June 2016.

b) Movements in share options during the year

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

	2016		2015	
	No. of options	Weighted average exercise price \$	No. of options	Weighted average exercise price \$
Outstanding at the beginning of the year	3,000,000	0.15	975,000	0.40
Granted and vested during the year (refer d)	7,500,000	0.10	3,000,000	0.15
Expired during the year	-	-	(975,000)	0.40
Outstanding at the end of the year	10,500,000	0.11	3,000,000	0.15
Exercisable at the end of the year	10,500,000	0.11	3,000,000	0.15

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

23. Share based payments (continued)

The weighted average remaining contractual life of share options outstanding at the end of the year was 2.47 years (2015: 2.34 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 \$	2016 No.	2015 No.
31 October 2017	0.10	1,500,000	1,500,000
31 October 2017	0.20	1,500,000	1,500,000
31 May 2019 (refer d below)	0.10	7,500,000	-
		10,500,000	3,000,000

d) *Share based payments*

In May 2016 Alchemy Resources (NSW) Pty Ltd, a subsidiary of Alchemy Resources Ltd, signed a Farm-In and Joint Venture Agreement ("Agreement") with Heron Resources Ltd ("Heron") for the Lachlan projects in New South Wales. A total of 2,000,000 fully paid ordinary shares and 2,500,000 10 cent unlisted options in the Company were issued to Heron in part consideration for the Agreement. In June 2016 a further 5,000,000 10 cent unlisted options in the Company were issued in part consideration for corporate services undertaken to secure the Lachlan projects.

The shares issued to Heron were valued at the 15 day volume weighted average price of \$0.014. The fair value of the 7,500,000 share options issued was 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 issued as part of the transaction was \$59,260 (2015: \$Nil)

The model inputs for options granted during the year ended 30 June 2016 are as follows:

Inputs	
Exercise Price	\$0.10
Grant date	1 Jun 2016 and 28 Jun 2016
Expiry date	31 May 2019
Share price at grant date	\$0.014
Expected price volatility	148.9%
Expected dividend yield	0%
Risk-free interest rate	1.59%

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

	Consolidated	
	2016	2015
	\$	\$
24. Reconciliation of cash flows from operating activities		
Cash flows from operating activities		
Loss for the period	(561,496)	(4,776,086)
Non-cash flows in profit/(loss):		
- Depreciation	34,377	57,866
- Loss / (gain) on sale of assets	3,071	(19,550)
- Share based remuneration	-	25,191
- Exploration expenditure write-off	47,695	4,453,825
Changes in assets and liabilities		
- Decrease/(increase) in trade receivables	10,110	31,305
- Decrease/(increase) in prepayments	1,621	14
- Increase/(decrease) in trade creditors and accruals	28,254	(27,326)
- Increase/(decrease) in provisions	-	(1,872)
Net cash used in operating activities	(436,368)	(256,633)

Non-cash investing and financing activities

In May 2016 Alchemy Resources (NSW) Pty Ltd, a subsidiary of Alchemy Resources Ltd, signed a Farm-In and Joint Venture Agreement ("Agreement") with Heron Resources Ltd ("Heron") for the Lachlan projects in New South Wales. A total of 2,000,000 fully paid ordinary shares and 2,500,000 10 cent unlisted options in the Company were issued to Heron in part consideration for the Agreement. In June 2016 a further 5,000,000 10 cent unlisted options in the Company were issued in part consideration for corporate services undertaken to secure the Lachlan projects.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

25. Related party disclosure

	Class	Country of incorporation	Investment at cost 2016 \$	Investment at cost 2015 \$
a) Parent entity				
Alchemy Resources Limited	Ord	Australia	-	-
b) Subsidiaries				
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	n/a
			2016 \$	2015 \$
c) Key management personnel compensation				
Short-term employee benefits			289,606	305,605
Post-employment benefits			15,172	12,160
Share-based payments			-	19,313
			304,778	337,078

Detailed remuneration disclosures are provided in the remuneration report on pages 17 to 23.

26. Parent entity disclosure

	2016 \$	2015 \$
Financial Performance		
Profit / (loss) for the year	718,855	610,470
Other comprehensive income	-	-
Total comprehensive profit / (loss)	718,855	610,470

Notes to the Consolidated Financial Statements

For the year ended 30 June 2016

26. Parent entity disclosure (continued)

Financial Position	2016 \$	2015 \$
ASSETS		
Current assets	1,267,230	1,842,355
Non-current assets	20,616	54,877
TOTAL ASSETS	1,287,846	1,897,232
LIABILITIES		
Current liabilities	116,075	93,866
Non-current liabilities	-	-
TOTAL LIABILITIES	116,075	93,866
NET ASSETS	1,171,771	1,803,366
EQUITY		
Issued capital	29,313,022	29,285,022
Reserves	503,907	444,647
Accumulated losses	(28,645,158)	(27,926,303)
TOTAL EQUITY	1,171,771	1,803,366

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 2016 other than the commitment in relation to the lease of office premises as disclosed in note 21.

Directors' Declaration

The directors of Alchemy Resources Limited declare that:

- (a) in the directors' opinion the financial statements and notes set out on pages 26 to 62 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 2016 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 chief executive officer and chief financial officer for the financial year ended 30 June 2016.

Signed in accordance with a resolution of the directors.



Oscar Aamodt
Chairman

Perth, Western Australia
23 September 2016

INDEPENDENT AUDITOR'S REPORT

To the members of Alchemy Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Alchemy Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

- (a) the financial report of Alchemy Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 23 of the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Alchemy Resources Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd



Dean Just

Director

Perth, 23 September 2016

Additional Shareholders Information

As at 12 September 2016

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	132
1,001 - 5,000	201
5,001 - 10,000	179
10,001 - 100,000	593
100,001 and over	266
Total	1,371

The number of holders of less than a marketable parcel of ordinary fully paid shares is 727.

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	33,333,334	14.44
Jindalee Resources Limited	17,469,759	7.57

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 230,788,035 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.

6. Unquoted Equity Securities

	Number on issue	Number of holders
Options exercisable at \$0.10 on or before 31 October 2017	1,500,000	4
Options exercisable at \$0.20 on or before 31 October 2017	1,500,000	4
Options exercisable at \$0.10 on or before 31 May 2019	7,500,000	2

Additional Shareholders Information

As at 12 September 2016

7. Twenty Largest Holders of Quoted Ordinary Shares

Shareholder	Number of shares	Percentage held
Northern Star Resources Limited	33,333,334	14.44
Jindalee Resources Limited	17,469,759	7.57
LG Dudfield Pension Fund	10,259,721	4.45
Troy Resources Limited	10,000,000	4.33
Grandor Pty Limited	7,394,213	3.20
Cardinal Management Services Pty Ltd	4,420,201	1.92
Mrs Stella Emily Downey	3,467,750	1.50
Dr Colin Rose	3,335,399	1.45
TBB NSW Pty Ltd	3,246,000	1.41
Canaccord Capital (Australia) Pty Limited	2,785,500	1.21
Kale Capital Corporation Ltd	2,512,650	1.09
Wythenshawe Pty Ltd	2,300,000	1.00
Wavet Fund No 2 Pty Ltd	2,265,000	0.98
Heron Resources Limited	2,000,000	0.87
KE & PW Holdings Pty Ltd	2,000,000	0.87
Warramboos Holdings Pty Ltd	2,000,000	0.87
Prodigy Management Pty Ltd	1,900,000	0.82
Paso Holdings Pty Ltd	1,800,000	0.78
Mr Nicholas David Cresswell	1,753,220	0.76
Megaloconomos Pty Ltd	1,524,785	0.66
	<hr/>	
	115,767,532	50.16

Tenement Schedule

Project / Tenement	Location / Status	Interest	Co-Holder	Notes
Bryah Basin Project	Western Australia			
E52/1668	Granted	80%	Jackson Minerals Pty Ltd	1, 2, 3, 5
E52/1678	Granted	80%	Jackson Minerals Pty Ltd	1, 2, 3, 5
E52/1722	Granted	80%	Jackson Minerals Pty Ltd	1, 2
E52/1723	Granted	100%		2, 4, 5, 6
E52/1730	Granted	80%	Jackson Minerals Pty Ltd	1, 2, 3, 5
E52/1731	Granted	100%		2, 4, 5
E52/1810	Granted	100%		2
E52/1852	Granted	100%		4, 5
E52/2360	Granted	100%		2, 7
E52/2362	Granted	100%		2, 4, 5, 7
E52/3292	Granted	100%		2
E52/3405	Granted	100%		2, 4, 5, 7
E52/3406	Granted	100%		2, 4, 5, 7
E52/3407	Granted	100%		2, 7
E52/3408	Granted	100%		2, 4, 5, 7
E52/3409	Granted	100%		2, 7
M52/722	Granted	100%		2, 4, 5, 7
M52/723	Granted	100%		2, 4, 5, 7
M52/737	Granted	100%		4, 5, 7
M52/795	Granted	100%		2, 4, 5, 7
M52/844	Granted	100%		2, 7
M52/1049	Granted	100%		4, 5, 7
P52/1195	Granted	80%	Jackson Minerals Pty Ltd	1, 3, 5
P52/1196	Granted	80%	Jackson Minerals Pty Ltd	1, 3, 5
P52/1199	Granted	100%		2
P52/1200	Granted	100%		2
P52/1316	Granted	100%		4, 5, 7
P52/1317	Granted	100%		2, 7
P52/1318	Granted	100%		2, 7
P52/1320	Granted	100%		2, 7
P52/1321	Granted	100%		4, 5, 7
P52/1322	Granted	100%		4, 5, 7
P52/1323	Granted	100%		2, 7
P52/1327	Granted	100%		4, 5, 7
P52/1365	Granted	100%		4, 5, 7
P52/1425	Granted	100%		2
P52/1429	Granted	100%		4, 5
P52/1467	Granted	100%		2
P52/1468	Granted	100%		2
P52/1469	Granted	100%		2
P52/1470	Granted	100%		2

Tenement Schedule

Project / Tenement	Location / Status	Interest	Co-Holder	Notes
Lachlan Project	New South Wales			
EL5878	Granted	0%	ALY earning up to 80%	8
EL7941	Granted	0%	ALY earning up to 80%	8
EL8192	Granted	0%	ALY earning up to 80%	8
EL8267	Granted	0%	ALY earning up to 80%	8
EL8318	Granted	0%	ALY earning up to 80%	8
EL8356	Granted	0%	ALY earning up to 80%	8
Karonie Project	Western Australia			
E28/2475	Granted	100%		9
E28/2476	Granted	100%		9
E28/2575	Application	100%		9
E28/2576	Application	100%		9
E28/2601	Application	100%		9
E28/2619	Application	100%		9

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. Independence Group NL (ASX: IGO) has a right to explore and earn a 70-80% interest (excludes iron ore) in whole or part tenement by sole funding a total of \$6,000,000 of exploration expenditure, with Alchemy free-carried up to completion of a pre-feasibility study.
3. Northern Star Resources Ltd (ASX: NST) 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. Northern Star Resources Ltd (ASX: NST) has a right to explore and earn a 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. Northern Star Resources Ltd (ASX: NST) has executed a conditional sale and purchase agreement with Billabong Gold Pty Ltd and its parent entity 2525908 Ontario Inc. for the sale of its Plutonic gold operations, which includes its interest in the Farm-in and Joint Venture over tenements or parts of tenements marked (3) & (4).
6. PepinNini Robinson Range Pty Ltd retains a 1% NSR on iron ore.
7. 100% minerals rights for all minerals, excluding iron ore; Carey Mining Iron Ore JV – Alchemy Resources 50%, Carey Mining 50% iron ore.
8. Alchemy Resources (NSW) Pty Ltd, a subsidiary of Alchemy Resources Ltd, 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.
9. Goldtribe Corporation Pty Ltd, a subsidiary of Alchemy Resources Ltd, has a 100% interest in the tenement.