

ASX ANNOUNCEMENT

23 FEBRUARY 2017

CODE: ALY

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Mr Oscar Aamodt
Non-Executive Chairman

Mr Leigh Ryan
Managing Director

Ms Liza Carpene
Non-Executive Director

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ISSUED CAPITAL

SHARES 230,788,035

OPTIONS 10,500,000 (Unlisted)

PROJECTS

BRYAH BASIN (80-100%)

KARONIE (100%)

LACHLAN (earning up to 80%)

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Successful completion of first diamond drill hole at Overflow Gold and Base Metal Prospect

HIGHLIGHTS

- **First diamond drill hole** (OFDD001) has been **completed** at the Overflow gold and base metal prospect, NSW.
- **OFDD001 drilled to** provide structural, physical and geophysical information and **aid drill targeting of a strong electromagnetic (EM) conductivity anomaly** down plunge of known mineralisation.
- **Two broad zones intercepted, displaying strong alteration and sulphide mineralisation** from 245.6m to 260.7m (~15m) and 267.2m to 291.1m (~23m).
- Assay results due early next quarter.

Alchemy Resources Limited (ASX: ALY) ("Alchemy") is pleased to announce the completion of an initial diamond drill hole (OFDD001) within the Overflow Gold and Base Metal Project in the Cobar Basin, NSW (Fig. 1).

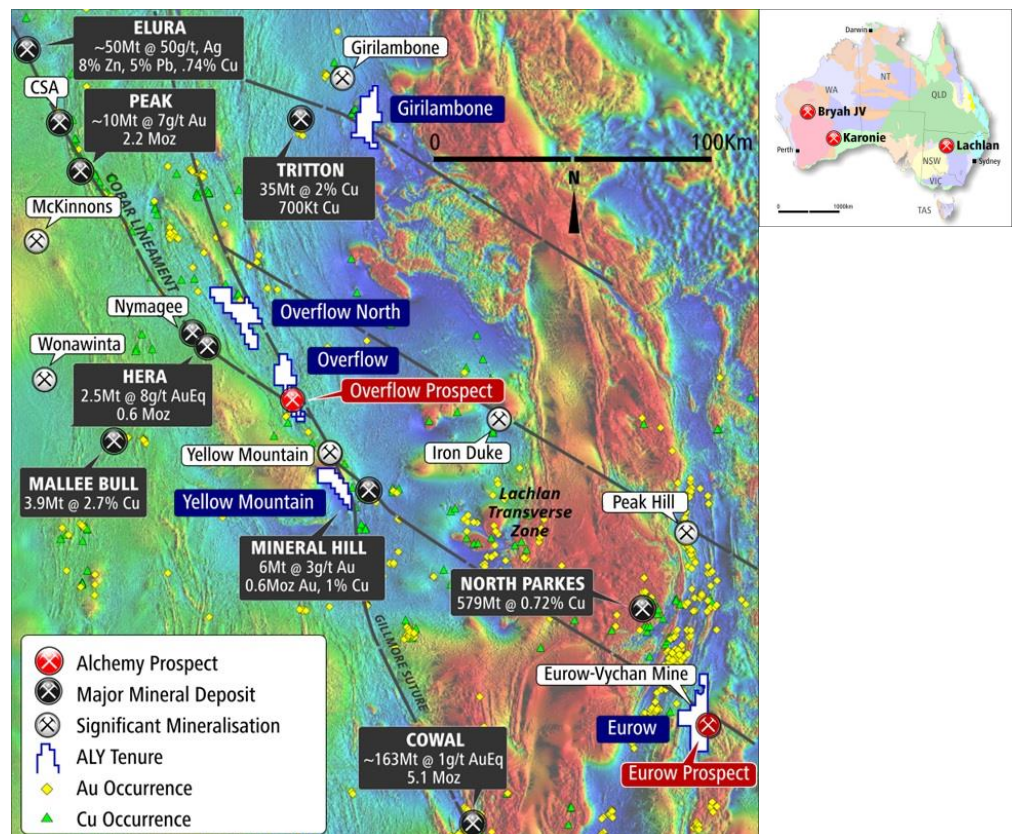


Figure 1: Cobar Basin / Lachlan Projects, major deposits, Au and Cu occurrences, and major structures over aeromagnetics

The diamond hole (drilled to a final depth of 360.7m), was designed to confirm the continuity of high grade gold-silver-lead-zinc mineralisation (within >50gxm AuEq* grade shell - Fig. 2), and provide structural, physical, and geophysical information via a planned downhole EM survey.

Two broad mineralised zones were intercepted, including an upper zone of pyrite-sphalerite ± galena bands within strongly sheared, quartz veined silica-sericite-kaolinite altered fine grained calcareous sediments (Figs. 4 & 5) from 245.6m to 260.7m (15.1m down hole width), and a lower zone of more disseminated pyrite-sphalerite within moderately foliated, quartz veined silica-sericite-chlorite altered lithic and crystal tuff (see Fig. 6) from 267.2m to 291.1m (22.9m down hole width). Both zones, especially the upper zone, have undergone intense shearing and hydrothermal alteration, which along with the quartz veining and sulphide banding is encouraging in terms of gold and base metal mineralisation respectively.

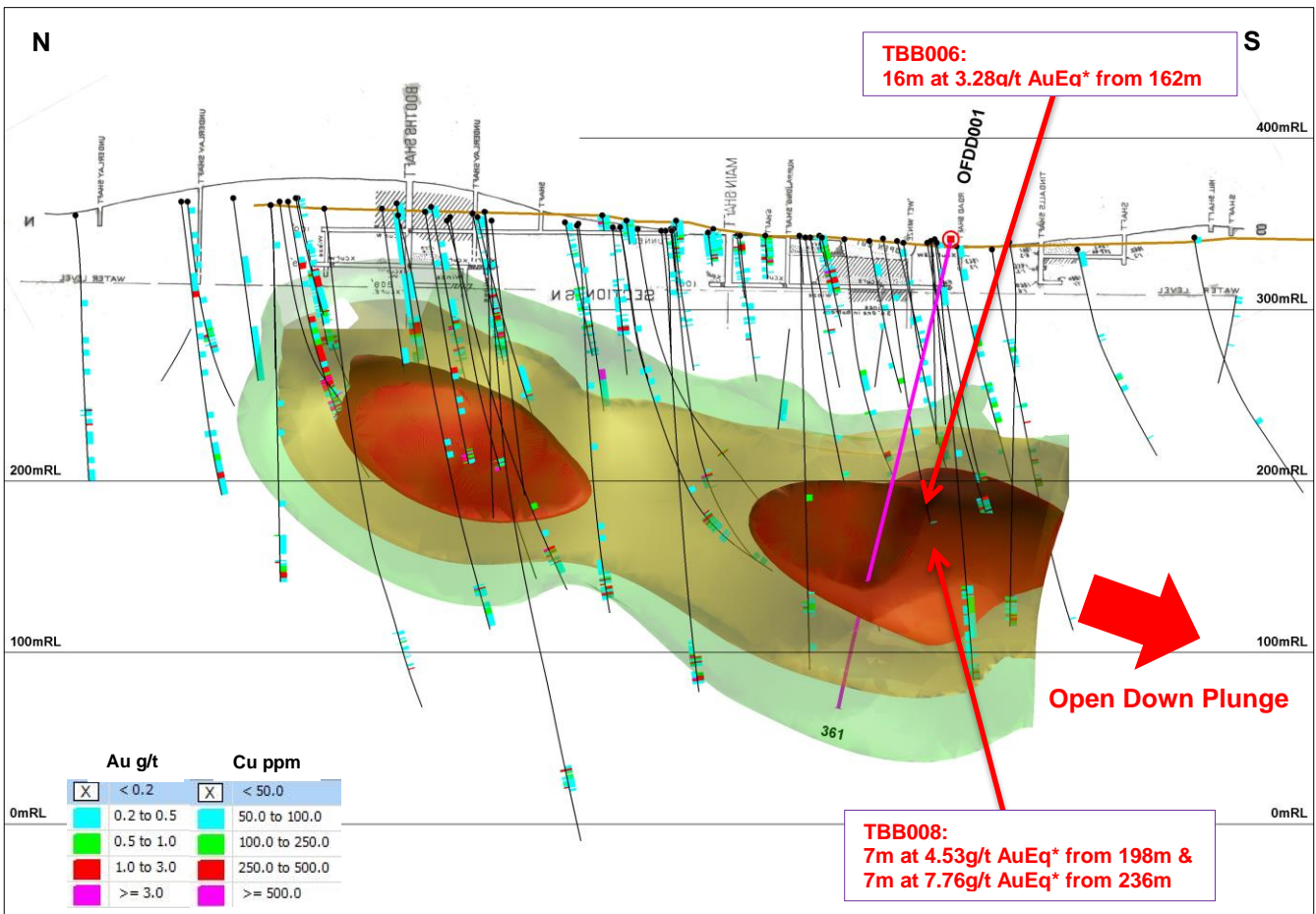


Figure 2: Overflow Prospect long section looking east showing historic workings, drill intercept AuEq grade x metre shells (red = >50gxm AuEq, yellow = >30gxm AuEq, green = >20gxm AuEq), historic drilling (traces coloured by Aug/t (left) and Cu ppm (right)) and completed diamond drill hole (OFDD001 - magenta line).

Core samples are currently being logged and photographed in preparation for cutting, sampling and delivery to ALS Laboratories (Orange, NSW) for gold and four acid digest multi-element ICP analysis. Final assay results from the hole are expected to be available for release early in the next quarter.

Subject to further geophysical modelling of both airborne and downhole EM data a 600m deep diamond hole is planned to test a strong EM conductivity anomaly identified at ~350m below surface, and ~250m down plunge of known high grade mineralisation at Overflow (Fig. 3).

* Gold equivalent (AuEq g/t) values used in this report refer to the calculated Au equivalent grade based on the Au, Ag, Cu, Zn and Pb grades assigned to each drilling intersection using the following formula (based on metal prices at the time): $AuEq (g/t) = Au (g/t) + Ag * 0.014 (g/t) + Cu * 1.11 (\%) + Zn * 0.54 (\%) + Pb * 0.46 (\%)$. The AuEq calculation takes into account the following metal prices: Au US\$1325/oz, Ag US\$19/oz, Cu US\$2.15/lb, Zn US\$1.05/lb and Pb US\$0.90/lb.

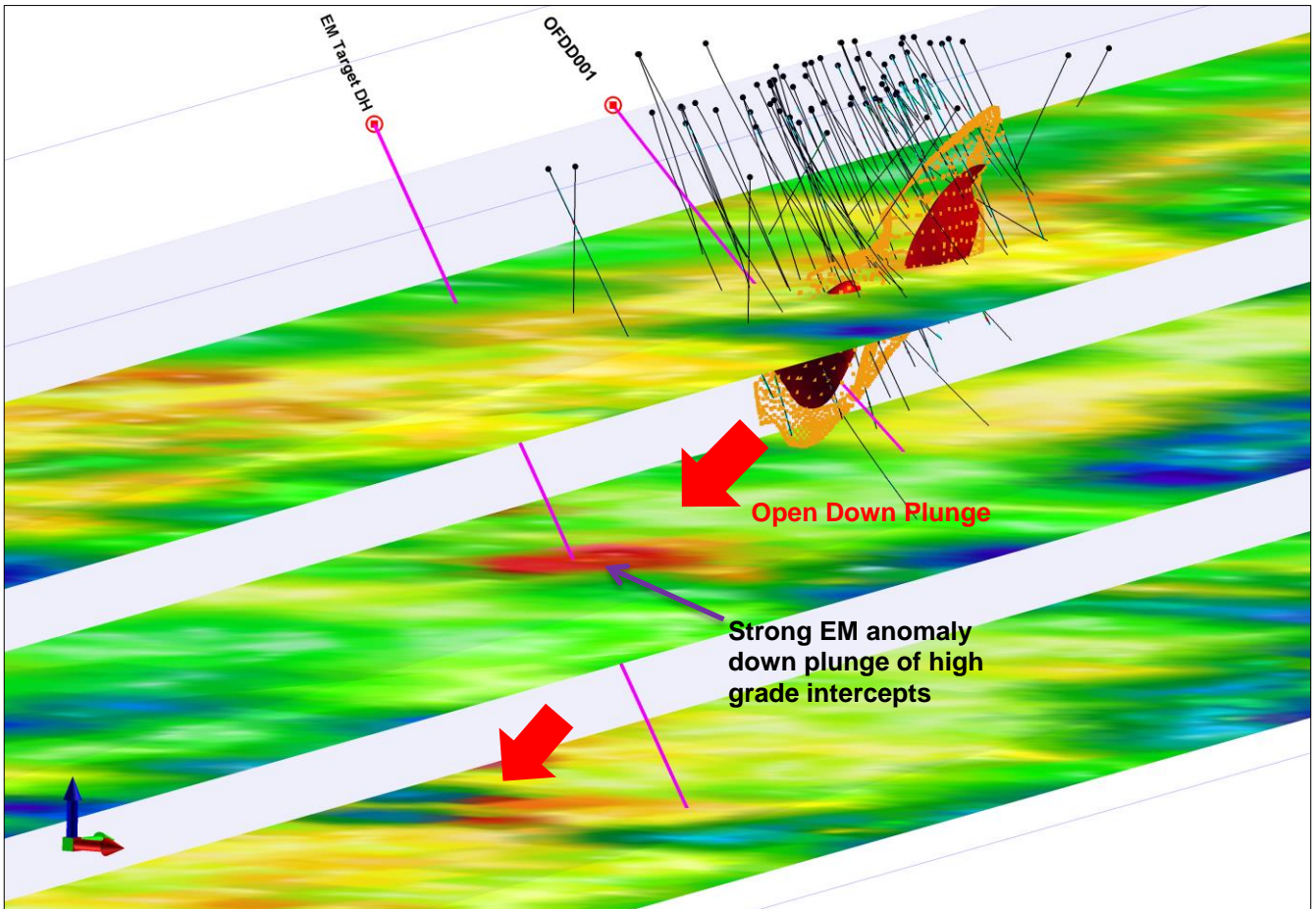


Figure 3: Overflow Prospect 3D view looking down to the NW showing grade x thickness shells of AuEq intersections (red = >50gxm AuEq, orange dots = >30gxm AuEq), historic drilling (traces coloured by Au and Cu grades), OFDD001 and planned diamond drilling (magenta lines) over VTEM conductivity slices (150m, 350m and 550m below surface).

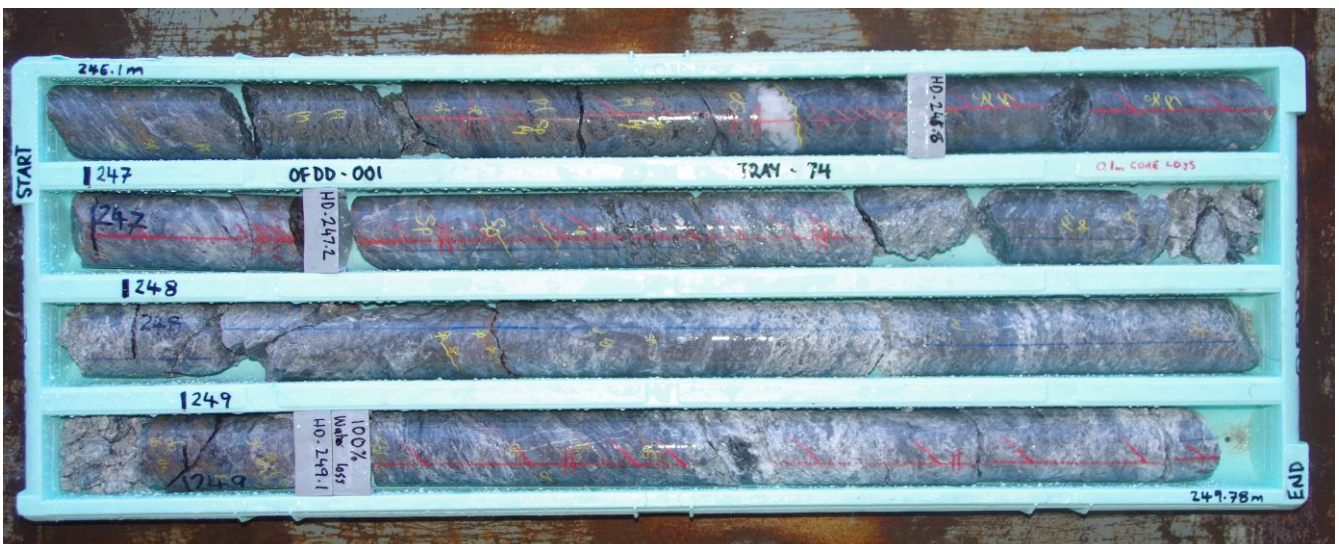


Figure 4: Overflow Prospect diamond drill hole core from OFDD001; upper mineralised zone showing pyrite-sphalerite banding within strongly sheared, quartz veined silica-sericite-kaolinite altered fine grained calcareous sediments.

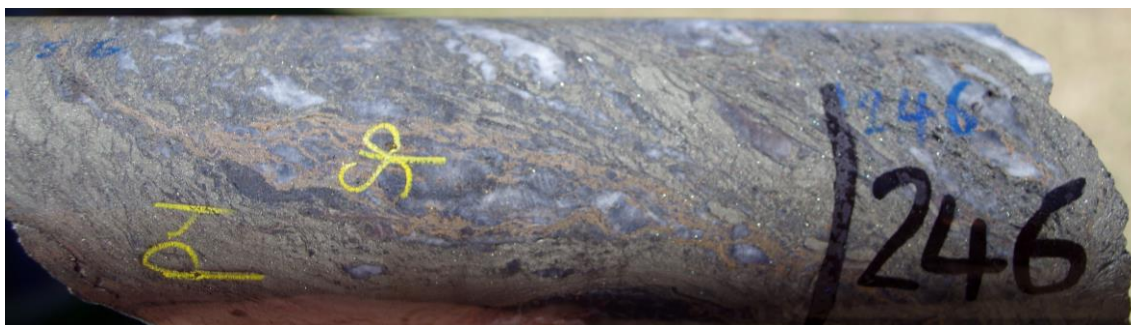


Figure 5: Overflow Prospect diamond drill hole core from OFDD001 (246m); upper mineralised zone showing pyrite-sphalerite banding within strongly sheared, quartz veined and silicified fine grained calcareous sediment.

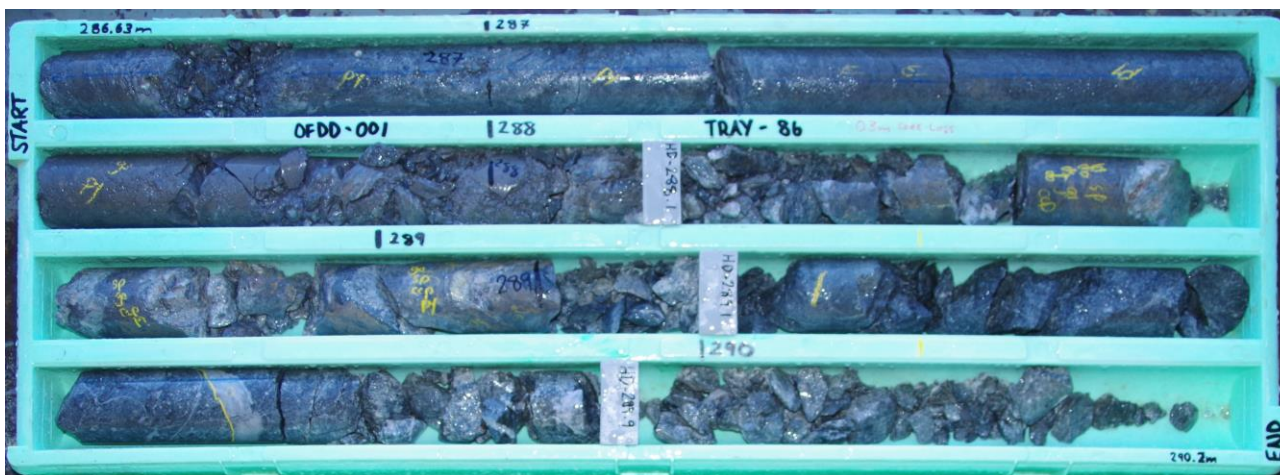


Figure 6: Overflow Prospect diamond drill hole core from OFDD001; lower mineralised zone showing disseminated pyrite-sphalerite within strongly fractured, quartz veined silica-sericite-chlorite altered lithic and crystal tuff.

Table 1: Drill hole details

Hole_ID	EOH Depth	Grid_ID	East (MGA)	North (MGA)	RL	Dip	Azi (MGA)	Azi (Magn)
OFDD001	360.7	MGA94z55	471240	6425780	341	-52	52	41.5

Alchemy’s Managing Director, Leigh Ryan said:

“The intense alteration, quartz veining and sulphide banding seen in our initial drill hole is encouraging with respect to gold and base metal mineralisation and we’re looking forward to receiving the assay results in the coming month or so. We’re currently engaging geophysical consultants to complete a downhole EM survey within OFDD001 in order to further define the strong EM target down plunge of the Overflow mineralisation in preparation for drill testing ASAP.”

For further information please contact:

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The information in this report that relates to Exploration Results is based on information compiled by Mr Leigh Ryan, who is the Managing Director of Alchemy Resources Limited. Mr Ryan 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’). Mr Ryan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.