

**ASX
ANNOUNCEMENT**

6 AUGUST 2018

CODE: ALY

BOARD OF DIRECTORS

Mr Lindsay Dudfield
Non-Executive Chairman

Mr Leigh Ryan
Managing Director

Ms Liza Carpene
Non-Executive Director

Mr Anthony Ho
Non-Executive Director

ISSUED CAPITAL

SHARES 352,335,585

OPTIONS 29,500,000 (Unlisted)

PROJECTS

WEST LYNN (earning up to 80%)

LACHLAN (earning up to 80%)

KARONIE (100%)

BRYAH BASIN (80-100%)

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Sandfire acquires IGO's Farm-in interests in Alchemy's Bryah Basin Project, WA

HIGHLIGHTS

- Sandfire to acquire IGO's Farm-in Rights over base metal prospective tenements covering 60 strike kilometres of prospective stratigraphy within Bryah Basin Project.
- Sandfire may earn up to an 80% interest by sole funding at least \$3.1M on exploration over a 15 month earn-in period.
- Alchemy free-carried to completion of a Pre-Feasibility Study and carried on an interest free deferred basis for a further \$5M of Definitive FS expenditure.
- IGO retains a 1% Net Smelter Royalty.

Alchemy Resources Limited (ASX: **ALY**) ("**Alchemy**") is pleased to announce that it has signed a Deed of Covenant - Letter Agreement ("**Agreement**") allowing leading Australian base metal producer Sandfire Resources NL (ASX: **SFR**) ("**Sandfire**") to explore and earn an interest in the Bryah Basin Project, WA (Figure 1) by acquiring Independence Group NL's (ASX: **IGO**) current Bryah Basin Project Farm-in Rights.

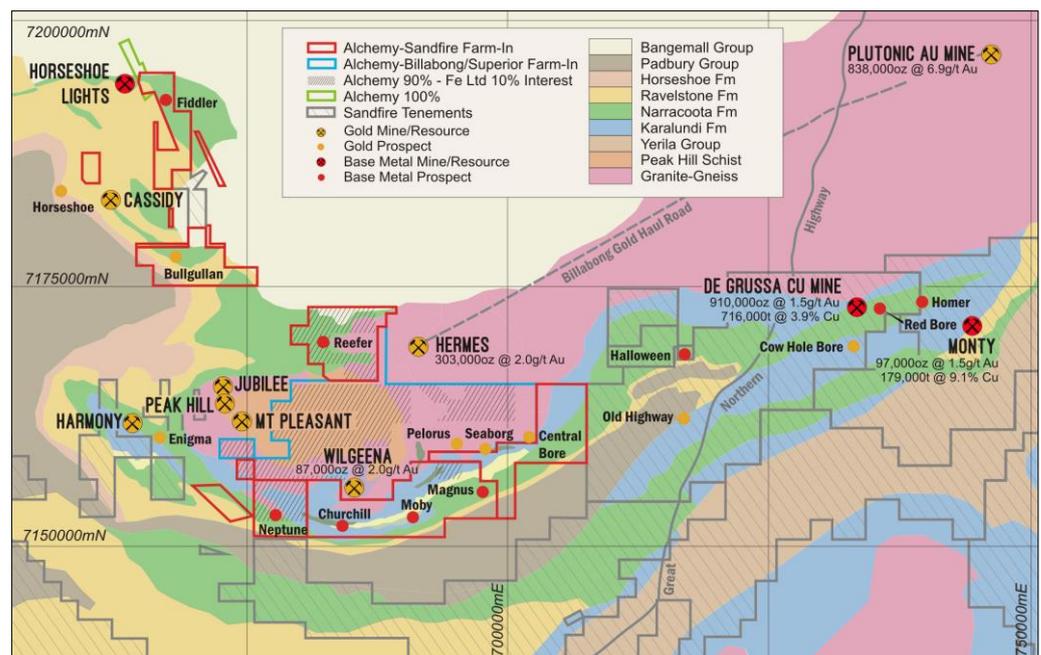


Figure 1: Bryah Basin Project – Alchemy-Sandfire Farm-In tenements and base metal prospects over regional geology interpretation.

The Agreement transfers all of IGO's rights and remaining obligations associated with the original Letter Agreement between Alchemy and IGO dated 29 January 2014 to Sandfire (Refer to Alchemy Resources ASX Announcement dated 30 January 2014), which includes all commodities excluding iron ore, and relates to whole and part tenements that cover the base metal prospective part of Alchemy's Bryah Basin Project (red outline in Figure 1). The Agreement retains an earn-in expiry date of 28 October 2019, and IGO's total spend on the project to date is approximately \$3.9M of which approximately \$1M is the initial spend, with \$2.9M contributing towards the earn-in amount and a \$3.1M spend remaining in order to earn up to an 80% interest.

The Agreement with Sandfire will result in a significant ramp up of exploration within the base metal prospective area of the Bryah Basin Project. Sandfire intends to combine its extensive local geological, geophysical and geochemical knowledge gained from exploring and mining of the DeGrussa ore body with the detailed surface electromagnetic work completed by IGO over the strike extensive highly prospective Narracoota / Karalundi Formation contact zone in order to define base metal targets within the farm-in tenements.

Should a high-value base metal discovery be made, Sandfire's processing facilities at DeGrussa located just 30km to the NE could be a critical component towards a positive feasibility study. Alchemy retains the right to participate as a 20% partner, an equity position that could deliver significant future value to shareholders.

The benefits of the Agreement include:

- Alchemy joining forces with one of Australia's leading base metal mining companies to rapidly advance exploration for base metals in the Bryah Basin Project over the coming 15 months;
- Sandfire's significant financial investment reduces Alchemy's financial risks to project advancement and;
- In the event of a high value base metal discovery, Alchemy has the opportunity to enter a production joint venture with an experienced developer and local mine operator in Sandfire.

The key terms of the Agreement are unchanged from the previous Letter Agreement with IGO and include:

1. Sandfire may spend a further \$3.1M on the Farm-In and Joint Venture Area (**Earn-in Expenditure**) within 15 months to earn:
 - a. an 80% interest (excluding iron-ore rights) in the Joint Venture Area for the tenements held 100% by Alchemy,
 - b. a 70% interest (excluding iron ore rights) in the Joint Venture Area for four tenements (E52/1668, E52/1678, E52/1722 and E52/1730), whereby Sandfire would hold 70%, Alchemy 10% and Jackson Minerals Pty Ltd ("**Jackson**") would maintain its 20% interest free-carried to a decision to mine.
2. If the Earn-In Expenditure is not incurred during the period, the agreement will terminate and Sandfire will retain no interest in the Joint Venture Area.
3. Upon Sandfire fulfilling the Earn-In Expenditure, Alchemy (and Jackson on tenements where they retain an interest) will be free-carried on further exploration to completion of a Pre-Feasibility Study (**PFS**) within the meaning of the JORC Code 2012, which will include resources defined to at least an Indicated Resource status.
4. Following completion of the PFS, Sandfire will carry Alchemy on an interest free deferred basis to either completion of a Definitive Feasibility Study (**DFS**) within the meaning of the JORC Code 2012 or

to expenditure by Sandfire of a further \$5,000,000 towards the DFS on a 100% basis, whichever occurs sooner (**Deferred Carry Period**).

5. Upon completion of the DFS or the expenditure of the further \$5,000,000 towards the DFS, whichever occurs sooner, Alchemy will then contribute towards expenditure of the Joint Venture in accordance with its interest.
6. Should both parties continue on from the DFS to production, Alchemy agrees to repay to Sandfire the deferred amount incurred during the Deferred Carry Period. Such payment will comprise an amount equal to 50% of Alchemy's share of profits earned through production.
7. Following the Deferred Carry Period, if either party elects not to contribute to expenditure of the Joint Venture, then industry standard dilution formulas will apply down to a 5% interest.
8. If a party's interest dilutes below 5%, it will revert to a 1% net smelter royalty (**NSR**).
9. If Jackson elects not to contribute to Mining Operations, then Jackson must sell their interest or convert to a \$10 per recovered ounce of gold royalty. If Jackson elects to sell all or only a portion of their interest, then Alchemy and Sandfire will be entitled to purchase 50% each of the portion being sold.
10. Both Alchemy and Sandfire have reciprocal rights to gold-dominated and non-gold dominated deposits, respectively, discovered adjacent to the Joint Venture Area boundary with the Non-Joint Venture Area. Should Sandfire discover a non-gold dominated deposit, its rights to non-gold dominated mineralisation extend onto the Non-Joint Venture Area to a maximum of a two kilometre buffer from the margin of the first-published JORC Code 2012 compliant Mineral Resource. Alchemy has reciprocal rights for gold-dominated deposits discovered adjacent to the Joint Venture Area.
11. Both Alchemy and Sandfire have a pre-emptive right on the other party's interest in the event that either party wishes to sell, assign or part with any of its rights.

Alchemy's Managing Director, Leigh Ryan said:

"Alchemy is very pleased to have attracted a highly regarded base metal miner and strategic partner in Sandfire Resources for our Bryah Basin Project. The benefits of the original joint venture arrangement have been retained with the added advantage that exploration will be accelerated using Sandfire's detailed local knowledge of base metal deposits. Access to their processing facility at DeGrussa will also be a huge advantage for the future development of potential high value base metal deposits within the Project area."

Please direct enquiries to:

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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 Member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities undertaken, to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ('JORC Code 2012'). Mr Ryan consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.