

ALKANE RESOURCES LTD
ACN 000 689 216

ANNUAL FINANCIAL REPORT 2008

Directors' Report

The directors present their report on the consolidated entity consisting of Alkane Resources Ltd (ACN 000 689 216) and the entities it controlled at the end of, or during, the year ended 31 December 2008.

DIRECTORS

The following persons were directors of Alkane Resources Ltd during the whole year and up to the date of this report:

J S F Dunlop (Chairman)

D I Chalmers

I R Cornelius

I J Gandel

A D Lethlean

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were mining and exploration for gold, and other minerals and metals. There has been no significant change in the nature of these activities during the financial year.

RESULTS

The net amount of consolidated loss of the economic entity for the financial year after income tax was \$17,898 (2007 loss \$1,325,615).

DIVIDENDS

No dividends have been paid by the Company during the financial year ended 31 December 2008, nor have the directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

The Company continues to advance its core projects at Tomingley and Dubbo in New South Wales. Feasibility studies are in progress for the development of the Tomingley gold deposits and the strategically important Dubbo Zirconia Project (DZP) respectively. Following drilling of the new Caloma deposit, an updated resource statement has been completed and the feasibility study for the development at Tomingley is scheduled to be completed mid 2009.

The Demonstration Pilot Plant (DPP) for the DZP was commissioned mid 2008 at the ANSTO facilities located at Lucas Heights near Sydney. The DPP operated in stages during the year and is producing zirconium and niobium products for distribution to potential customers. Development of a yttrium and rare earth recovery circuit is in progress. Re-activation of the feasibility study is scheduled to commence before the end of 2009.

Work also continues on the Orange District Exploration Joint Venture with Newmont Australia where the significant gold discovery at McPhillamys was enhanced by further drilling during the year.

A more comprehensive review is included in the "Review of Operations" section of the Annual Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The state of affairs of the Company was not affected by any significant changes during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

No other matter or circumstance has arisen since 31 December 2008 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2008.

LIKELY DEVELOPMENTS

The Company intends to continue exploration on its existing tenements, to acquire further tenements for exploration of all minerals, to seek other areas of investment in the resources industry and to develop the resources on its tenements.

ENVIRONMENTAL REGULATION

The consolidated entity is subject to significant environmental regulation in respect of its development, construction and mining activities as set out below.

Mining

During the year, there were no breaches of the requirements relating to certain environmental restrictions at the Company's mine site at Peak Hill, NSW. Management is constantly working with the New South Wales Department of Primary Industry and Department of Environment and Conservation to ensure compliance with the regulatory requirements. The Company employs a full time environmental manager.

Directors' Report (continued)

ENVIRONMENTAL REGULATION (continued)

Exploration

The Company is subject to environmental controls and restrictions on all its mineral exploration tenements relating to any exploration activity on those tenements. No breaches of any environmental restrictions were recorded during the year.

General

The consolidated entity aspires to the highest standards of environmental management and insists its entire staff and contractors maintain that standard.

PARTICULARS OF DIRECTORS

John Stuart Ferguson Dunlop (Non-Executive Chairman)

BE (Min), MEng Sc (Min), FAusIMM (CP), FIMM, MAIME, MCIMM

Appointed director and Chairman 3 July 2006

Mr Dunlop (58) is a consultant mining engineer with over 37 years surface and underground mining experience both in Australia and overseas. He is a former director of the Australian Institute of Mining and Metallurgy (2001 - 2006) and is currently Chairman of its affiliate, the Mineral Industry Consultants Association.

Mr Dunlop is non-executive chairman of Alliance Resources Ltd and of Drummond Gold Ltd (appointed 1 August 2007) and non-executive director of Gippsland Ltd. Former public company directorships in the last three years are: Encore Metals NL (November 1999 to November 2006).

Mr Dunlop is a member of the Audit Committee.

David Ian (Ian) Chalmers (Managing Director)

MSc, FAusIMM, FAIG, FIMMM, FSEG, MSGA, MGSA, FAICD

Appointed director 10 June 1986, appointed Managing Director 5 October 2006

Mr Chalmers (60) is a geologist and graduate of the Western Australian Institute of Technology (Curtin University) and has a Master of Science degree from the University of Leicester in the United Kingdom. He has worked in the mining and exploration industry for over 39 years, during which time he has had experience in all facets of exploration through feasibility and development to the production phase.

Mr Chalmers is currently a principal in Multi Metal Consultants Pty Ltd. During the last three years Mr Chalmers was also a non-executive director of AuDAX Resources Ltd (October 1993 to February 2007) and Northern Star Resources Ltd (May 2000 to September 2007).

Ian Raymond (Inky) Cornelius (Non-executive Director)

FAICD

Appointed director 10 June 1986

Mr Cornelius (68) has had over 40 years experience in the minerals and petroleum industry. He spent the first nine years of his career with the Western Australian Department of Mines before leaving to manage his own tenement consulting business. Since 1976, he has held senior executive positions in a number of public exploration and mining companies. In this capacity, he has had extensive experience and success in the selection, management and development of deposits of many commodities.

Mr Cornelius is a non-executive director of Pancontinental Oil & Gas NL, Austral Africa Resources Limited (appointed January 2004) and Montezuma Mining Company Ltd (appointed August 2006).

Ian Jeffrey Gandel (Non-executive Director)

LLB, BEc, FCPA, FAICD

Appointed director 24 July 2006

Mr Gandel (51) is a successful Melbourne businessman with extensive experience in retail management and retail property. He has been a director of the Gandel Retail Trust and has had an involvement in the construction and leasing of Gandel shopping centres. He has previously been involved in the Priceline retail chain and the CEO chain of serviced offices.

Through his private investment vehicles, Mr Gandel has been an investor in the mining industry since 1994. Mr Gandel is currently a substantial holder in a number of publicly listed Australian companies and, through his private investment vehicles, now holds and explores tenements in his own right in Victoria, Western Australia and Queensland. Mr Gandel is also a non-executive director of Alliance Resources Ltd.

Mr Gandel is a member of the audit committee.

Directors' Report (continued)

Anthony Dean Lethlean (Non-executive Director)

BAppSc(geology)

Appointed director 30 May 2002

Mr Lethlean (45) is a geologist with 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers and currently consults to Helmsec Global Capital Limited. Mr Lethlean is a non-executive director of Alliance Resources Ltd.

Mr Lethlean is Chairman of the audit committee.

JOINT COMPANY SECRETARIES

Lindsay Arthur Colless

CA, JP (NSW), FAICD

Mr Colless (63) is a member of the Institute of Chartered Accountants in Australia with 15 years experience in the profession and a further 31 years experience in Commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director. He is a director and/or secretary of a number of public listed companies.

Karen E V Brown

BEC (hons)

Miss Brown (48) is a director and company secretary of Mineral Administration Services Pty Ltd. She has considerable experience in corporate administration of listed companies over a period exceeding 20 years, primarily in the mineral exploration industry. She is company secretary of a number of publicly listed companies including Northern Star Resources Ltd, Alkane Resources Ltd and Newland Resources Ltd

NOMINATION COMMITTEE

The Nomination Committee comprises the full Board.

DIRECTORS' MEETINGS

The following sets out the number of meetings of the Company's directors held during the year ended 31 December 2008 and the number of meetings attended by each director.

There were nine (9) Directors' meetings, five (5) Audit and two (2) Remuneration Committee meetings held during the financial year.

The number of meetings attended by each director during the year (while they were a director or committee member) is as follows:

Director	Board of Directors		Audit		Committee Meetings Nomination		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J S F Dunlop	9	9	5	5	-	-	2	2
D I Chalmers	9	9	n/a	n/a	-	-	2	2
I R Cornelius	9	8	n/a	n/a	-	-	2	2
I J Gandel	9	9	5	5	-	-	2	2
A D Lethlean	9	8	5	5	-	-	2	2

SHARE OPTIONS

Unissued ordinary shares of Alkane Resources Ltd under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
19 April 2007	30 September 2009	\$0.30	3,000,000
19 April 2007	30 September 2009	\$0.30	1,400,000
			4,400,000

None of the existing options are listed on ASX Limited. No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Directors' Report (continued)

DIRECTORS' INTERESTS AND BENEFITS

- a) technical services and geological consulting fees of \$577,228 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.
- b) consulting fees of \$8,250 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.
- c) amounts of \$7,941 paid or due and payable to Rocky Rises Pty Ltd, a company in which Mr Lethlean has a substantial financial interest, for consulting services provided in the normal course of business and at normal commercial rates.
- d) consulting fees of \$5,400 paid or due and payable to Gandel Metals Pty Ltd, a company in which Mr Ian Gandel has a substantial financial interest and
- e) administration, accounting and secretarial fees of \$126,000 paid or due and payable to a company in which Mr Colless and Miss Brown have substantial financial interests for services provided in the normal course of business and at normal commercial rates.

These fees and disbursements exclude benefits included in the aggregate amount of emoluments received or due and receivable by Directors as directors' fees and shown in the financial statements, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information

The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

The information provided within this remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 'Related Party Disclosures'. These disclosures have been transferred from the financial report and have been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward corporate governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The Company has structured an executive remuneration framework that is market competitive and complementary to the reward strategy for the organisation.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Director's fees

Directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. This amount is separate from any specific tasks the directors may take on for the Company. For example, Multi Metal Consultants Pty Ltd of which Messrs Chalmers is a principal provides technical services for the Company, separate from his task as an executive Director.

The Company has no performance based remuneration component built into director and executive remuneration packages.

Other than the managing director, there are no other executive officers or senior managers of the Company or Group.

B. Details of remuneration (audited)

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Total income received, or due and receivable, by directors of Alkane Resources Ltd from the Company, and any related party in connection with the management of the Company and any related parties.	964,600	1,761,752	825,565	1,646,458

The details of remuneration of the directors and key management personnel are set out in the following tables.

The key management personnel of Alkane Resources Ltd are the following:

- L A Colless - Company Secretary
- K E Brown - Joint Company Secretary

Key Management Personnel and other executives of the Company

Name	<u>Short-term benefits</u> Cash Salary and fees	<u>Post-employment</u> <u>benefits</u> Superannuation	<u>Share-based payment</u>	Total
	\$	\$	\$	\$
Executive Director of Alkane Resources Ltd				
2008				
D I Chalmers	638,728*	-	24,003	662,731

*\$61,500 relates to fees paid for Mr Chalmers' services as Managing Director, the balance relates to fees paid to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.

No long term or termination benefits have been paid.

Name	<u>Short-term benefits</u> Cash salary and fees	<u>Post-employment</u> <u>benefits</u> Superannuation	<u>Share-based payment</u>	Total
	\$	\$	\$	\$
Non-executive Directors of Alkane Resources Ltd				
2008				
J S F Dunlop	76,560	-	24,003	100,563
I R Cornelius	51,567	-	24,003	75,570
I J Gandel	54,567	-	24,003	78,570
A D Lethlean	57,517	-	(10,351)	47,166
	240,211*	-	61,658	301,869

* \$216,220 relates to fees paid to non-executive directors, the balance relates to consulting fees paid to the directors or related entities for services provided in the normal course of business and at normal commercial rates

Directors' Report (continued)

REMUNERATION REPORT (continued)

Name	<u>Short-term benefits</u> Cash Salary and fees	<u>Post-employment benefits</u> Superannuation	<u>Share-based payment</u>	Total
	\$	\$	\$	\$
2008				
L A Colless	89,250*	-	24,003	113,253
K E Brown	36,750*	-	12,001	48,751
	126,000	-	36,004	162,004

* Corporate administration, accounting & company secretarial fees paid to Mineral Administration Services Pty Ltd, a company with which Mr Colless and Miss Brown are associated.

No long term or termination benefits have been paid.

The share-based payments referred to above comprise options over ordinary shares in the Company issued in April 2007 and vesting in April 2008, and have been valued based on the Black and Scholes option pricing model.

Name	<u>Short-term benefits</u> Cash Salary and fees	<u>Post-employment benefits</u> Superannuation	<u>Share-based payment</u>	Total
	\$	\$	\$	\$
Executive Directors of Alkane Resources Ltd				
2007				
D I Chalmers	643,442*	-	107,647	751,089

*Technical services and geological consulting fees paid to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest, for services provided in the normal course of business and at normal commercial rates. During the year five technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs.

No long term or termination benefits have been paid.

Name	<u>Short-term benefits</u> Cash salary and Fees	<u>Post-employment benefits</u> Superannuation	<u>Share-based payment</u>	Total
	\$	\$	\$	\$
Non executive Directors of Alkane Resources Ltd				
2007				
J S F Dunlop	57,263	-	107,647	164,910
I R Cornelius	40,000	-	107,647	147,647
I J Gandel	499,121*	-	48,006	547,127
A D Lethlean	43,332	-	107,647	150,979
	639,716	-	370,947	1,010,663

* Includes underwriting fees of \$ 451,121 payable to Gandel Metals Pty Ltd, a company in which Mr Gandel has an interest.

Name	<u>Short-term benefits</u> Cash Salary and fees	<u>Post-employment benefits</u> Superannuation	<u>Share-based payment</u>	Total
	\$	\$	\$	\$
Other key management personnel				
2007				
L A Colless	126,000*	-	107,647	233,647

* Corporate administration, accounting & company secretarial fees paid to Mineral Administration Services Pty Ltd, a company with which Mr. Colless is associated.

No long term or termination benefits have been paid.

The share-based payments referred to above comprise options over ordinary shares in the Company issued and vesting in April 2007 and have been valued based on the Black and Scholes option pricing model.

Directors' Report (continued)

REMUNERATION REPORT (continued)

C. Service agreements (audited)

Formal written consultancy agreements exist with companies of which the Managing Director and key management personnel have a substantial financial interest as detailed below

D I Chalmers

Term of agreement- 2 years commencing October 2008

Agreement

Managing director retainer of \$66,000 per annum payable to Leefab Pty Ltd in which Mr Chalmers has a substantial financial interest pursuant to a formal agreement for a term of two years commencing 1 October 2008.

Geological consulting, technical and support services provided by Multi Metal Consultants Pty Ltd (and its personnel), a company in which Mr Chalmers has a substantial financial interest, pursuant to a formal agreement for a term of two years commencing 1 October 2008.

Termination

The Managing Director's engagement may be terminated by agreement between the Company and the Managing Director upon such terms as they mutually agree. A payout of 6 months fees or the remainder of the term of the contract is payable should the Company be taken over and there is no equivalent role and/or the Managing Director elects to terminate his employment contract.

The Multi Metals Consultants Pty Ltd consultancy agreement may be terminated by six months notice from either the Company or the Consultant.

L A Colless and K E Brown

Term of agreement – on going commencing July 2006

Agreement

Consulting fees of \$10,500 per month payable by the Company and its subsidiaries to Mineral Administration Services Pty Ltd, a company in which Mr Colless and Miss Brown have substantial financial interests.

Termination

Fees of up to 12 months "Notice Amount" are payable should the consultancy agreement with Mineral Administration Services Pty Ltd be terminated by Alkane Resources Ltd and fees of up to 6 months "Notice Amount" are payable should the consultancy agreement be terminated by Mineral Administration Services Pty Ltd.

Non – executive Directors

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 Boards policies and terms, including compensation, relevant to the office of the director.

No performance related bonuses or benefits are provided.

J S F Dunlop

Agreement

Retainer payable to John S Dunlop & Associates Pty Ltd, in which Mr Dunlop has a substantial financial interest, of \$70,000 per annum plus per diem of \$1,200 per day up to 4 days per month averaged over a 12 month rolling period for consulting services over and above normal director duties .

Termination

There is no policy in place in regard to termination benefits.

I R Cornelius

Agreement

Retainer payable to Goldtrek Pty Ltd as trustee for the Lewis Trust, of which Mr Cornelius is a beneficiary, of \$50,000 per annum plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

Termination

There is no policy in place in regard to termination benefits.

I J Gandel

Agreement

Retainer payable to Gandel Metals Pty Ltd in which Mr Gandel has a substantial financial interest of \$50,000 per annum plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

Termination

There is no policy in place in regard to termination benefits.

Directors' Report (continued)

REMUNERATION REPORT (continued)

A D Lethlean

Agreement

Retainer payable to Rocky Rises Pty Ltd, in which Mr Lethlean has a substantial financial interest, of \$50,000 per annum plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

Termination

There is no policy in place in regard to termination benefits.

D. Share-based payments (audited)

Options granted during the year

No options were granted to the directors during the year.

The terms and conditions of each grant of options affecting remuneration in the previous, current or future reporting periods are as follows:

Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
19 April 2007	19 April 2008	30 September 2009	\$0.30	\$0.144

Details of options over ordinary shares in the company provided as remuneration to each director of Alkane Resources Ltd and each of the key management personnel of the Company are set out below.

Name	Number of options granted		Number of options vested	
	2008	2007	2008	2007
Directors of Alkane Resources Ltd				
I R Cornelius	-	1,000,000	500,000	500,000
A D Lethlean	-	1,000,000	500,000	500,000
D I Chalmers	-	1,000,000	500,000	500,000
I J Gandel	-	1,000,000	500,000	500,000
J S Dunlop	-	1,000,000	500,000	500,000
Other Key Management personnel				
L A Colless	-	1,000,000	500,000	500,000
K E Brown	-	500,000	250,000	250,000

Shares issued on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Alkane Resources Ltd and other key management personnel of the Group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options	
		2008	2007
Directors of Alkane Resources Ltd			
I J Gandel	23 November 2007	-	500,000
J S Dunlop	30 September 2008	500,000	-
D I Chalmers	30 September 2008	500,000	-
A D Lethlean	30 September 2008	212,000	-
I R Cornelius	30 September 2008	500,000	-
Other Key Management Personnel			
L A Colless	30 May 2008	500,000	-
K E Brown	30 May 2008	250,000	-

The amounts paid per ordinary share by the directors and key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per share
30 May 2008	\$0.25
30 September 2008	\$0.25

No amounts are unpaid on any shares issued on exercise of options.

Directors' Report (continued)

REMUNERATION REPORT (continued)

E Additional information – (audited)

Share –based compensation: Options

Name	A Remuneration consisting of options	B Value at grant date \$	C Value of options exercised at exercise date \$	D Value of options exercised at date of this report* \$	E Value at lapse date \$
IR Cornelius	31.76%	-	69,171	49,384	-
A D Lethlean	-	-	29,328	20,939	39,843
D I Chalmers	3.62%	-	69,171	49,384	-
I J Gandel	30.55%	-	-	-	-
J S Dunlop	23.87%	-	69,171	49,384	-
L A Colless	21.19%	-	111,994	43,424	-
K E Brown	24.62%	-	55,997	21,712	-

*Subsequent to the exercise of options by the directors and key managerial personnel, the market share price has fallen to \$0.25 at the date of this report. The value of options exercised during the year at the share price existing on the date of report would be as given in column D. It is to be noted that none of the shares issued on exercise of the options have been sold by the respective holders as at the date of this report.

Name	Cash Bonus		Options					
	Paid %	Forfeited %	Year granted %	Vested %	Forfeited %	Financial Years in which options may vest \$	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
IR Cornelius	-	-	2007	100	-	-	-	-
A D Lethlean	-	-	2007	100	28.80	-	-	-
D I Chalmers	-	-	2007	100	-	-	-	-
I J Gandel	-	-	2007	100	-	-	-	-
J S Dunlop	-	-	2007	100	-	-	-	-
L A Colless	-	-	2007	100	-	-	-	-
K E Brown	-	-	2007	100	-	-	-	-

Shares issued on the exercise of options

The following ordinary shares of Alkane Resources Ltd were issued during the year ended 31 December 2008 on the exercise of options

Date options granted	Issue price of shares	Number of shares issued
19/04/2007	\$0.25	2,462,000

No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Key Management Personnel

Other than the Executive Director and Company Secretary, there were no other key management personnel during the financial year.

INSURANCE OF OFFICERS AND AUDITORS

During the financial year, Alkane Resources Ltd incurred premiums to insure the directors, secretary and/or officers of the Company.

The liability insured is the indemnification of the Company against any legal liability to third parties arising out of any Directors or Officers duties in their capacity as a Director or Officer other than indemnification not permitted by law.

No liability has arisen under this indemnity as at the date of this report.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability incurred as such by an officer or auditor.

Directors' Report (continued)

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Alkane Resources Ltd support and have adhered to the principles of corporate governance and have established a set of policies and manuals for the purpose of managing this governance. The Company's detailed corporate governance policy statement is contained in the additional Supplementary Information section of the annual report and can be viewed on the Company's web site at www.alkane.com.au.

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

Auditors' Independence -Section 307c

The following is a copy of a letter received from the Company's auditors:

"Dear Sirs,

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2008 annual financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Frank Vrachas (Lead auditor)
Rothsay Chartered Accountants"
Dated 27 March 2009

Non-Audit Services

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of 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 audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

The following amounts were paid to the auditors	Consolidated	
	2008 \$	2007 \$
Auditor's remuneration		
- auditing the accounts	42,500	48,000
Non-audit services		
- taxation services	8,000	8,000

Signed in accordance with a resolution of the Directors.



D I Chalmers
Director

Dated at Perth this 27th day of March 2009

Income Statement

For The Year Ended 31 December 2008

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Revenue from continuing operations					
Rent received		67,831	49,563	67,831	49,563
Revenue from sale of assets		-	3,470	-	3,470
Interest received or due and receivable from other corporations		723,042	284,992	712,854	280,827
Government grant		1,489,772	834,620	1,489,772	834,620
Other revenue		121,626	74,578	121,626	74,578
		2,402,271	1,247,223	2,392,083	1,243,058
Expenses from continuing operations					
Rent		(68,628)	(49,638)	(68,628)	(49,638)
Filing fees		(35,575)	(33,039)	(26,949)	(23,655)
Annual reports		(19,833)	(39,460)	(19,833)	(39,460)
Directors' consulting		(431,181)	(330,884)	(431,181)	(330,884)
Consulting, administration and secretarial		(140,971)	(131,250)	(98,955)	(89,250)
Public relations		(113,659)	(85,792)	(113,659)	(85,792)
Travel, entertainment & seminars		(75,525)	(45,306)	(75,525)	(45,306)
Insurances		(57,614)	(65,817)	(58,368)	(64,860)
Provision for subsidiaries		-	-	(719,751)	(74,618)
Administration expenses		(12,589)	(130,378)	(43,408)	(133,526)
Royalty		-	(4,477)	-	(4,477)
Audit fees	26	(42,500)	(48,000)	(42,500)	(48,000)
Auditor - other services		(8,000)	(8,000)	(8,000)	(8,000)
Share based remuneration	21	(197,476)	(904,238)	(197,476)	(904,238)
Depreciation and amortisation		(49,325)	(29,365)	(49,325)	(29,365)
Peak Hill minesite maintenance and rehabilitation		(122,106)	(149,163)	(122,106)	(149,163)
Cost of assets sold		-	(15,123)	-	(15,123)
Cost of unmarketable sale		-	(22,518)	-	(22,518)
Exploration costs		(1,015,344)	(443,261)	(304,474)	(413,719)
Provision for quoted shares		(3,574)	2,314	(3,574)	2,314
Provision for depreciation/amortisation		-	(12,636)	-	(12,636)
Provision for employee entitlements		(26,269)	(26,641)	(26,269)	(26,641)
		(2,420,169)	(2,572,672)	(2,409,981)	(2,568,555)
Loss before income tax		(17,898)	(1,325,449)	(17,898)	(1,325,497)
Income tax attributable	2	-	-	-	-
Loss for the year		(17,898)	(1,325,449)	(17,898)	(1,325,497)
Loss attributable to minority interests		55	55	-	-
Loss attributable to members of Alkane Resources Ltd		(17,843)	(1,325,394)	(17,898)	(1,325,497)
Accumulated losses at beginning of financial year	18	(26,698,136)	(25,372,742)	(26,580,458)	(25,254,961)
Accumulated losses at end of financial year	14	(26,715,979)	(26,698,136)	(26,598,356)	(26,580,458)
Earnings per share for loss attributable to the ordinary equity holders of the Company	23	(\$0.00)	(\$0.01)	(\$0.00)	(\$0.01)

The above income statement should be read in conjunction with the accompanying notes.

Balance Sheet

As At 31 December 2008

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Current Assets					
Cash and cash equivalent	19	8,324,003	6,706,623	8,282,818	6,693,676
Receivables	3	756,389	419,627	749,453	405,187
Available for sale financial assets	4	1,140	7,950	1,140	7,950
Other financial assets	5	469,693	440,312	367,266	335,729
Total Current Assets		9,551,225	7,574,512	9,400,677	7,442,542
Non-Current Assets					
Available for sale financial assets	6	1,710,000	13,680,000	1,710,000	13,680,000
Held-to-maturity investments	7	-	-	10,561,863	7,873,538
Property, plant & equipment	8	1,015,048	824,628	864,057	693,637
Capitalised exploration and evaluation expenditure	9	25,035,092	18,245,597	14,501,659	10,563,438
Total Non-Current Assets		27,760,140	32,750,225	27,637,579	32,810,613
Total Assets		37,311,365	40,324,737	37,038,256	40,253,155
Current Liabilities					
Payables	10	1,241,653	1,452,231	968,544	1,380,649
Provisions	11	61,220	41,984	61,220	41,984
Total Current Liabilities		1,302,873	1,494,215	1,029,764	1,422,633
Non-Current Liabilities					
Provisions	11	137,224	130,191	137,224	130,191
Total Non-Current Liabilities		137,224	130,191	137,224	130,191
Total Liabilities		1,440,097	1,624,406	1,166,988	1,552,824
Net Assets		35,871,268	38,700,331	35,871,268	38,700,331
Equity					
Contributed equity	12	60,121,618	50,803,706	60,121,618	50,803,706
Reserves	14	2,348,006	14,477,083	2,348,006	14,477,083
Accumulated losses	14	(26,715,979)	(26,698,136)	(26,598,356)	(26,580,458)
Total parent entity interest		35,753,645	38,582,653	35,871,268	38,700,331
Outside equity interests in controlled entities		117,623	117,678	-	-
Total Equity		35,871,268	38,700,331	35,871,268	38,700,331

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

Attributable to members of Alkane Resources Ltd

Consolidated

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Minority Interest \$'000	Total equity \$'000
Balance at 1 January 2007		46,327	-	(25,373)	117	21,071
Profit/(Loss) for the financial period	14B	-	-	(1,325)	-	(1,325)
Share Investment Revaluation Reserve	14A	-	13,674	-	-	13,674
Total recognised income and expense for the year		-	13,674	(1,325)	-	12,349
Contributions of equity, net of transaction costs	12	4,477	-	-	-	4,477
Share options expenses	14A	-	904	-	-	904
Shares issued on exercise of options	14A	-	(101)	-	-	(101)
Balance at 31 December 2007		50,804	14,477	(26,698)	117	38,700

Consolidated

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Minority Interest \$'000	Total equity \$'000
Balance at 1 January 2008		50,804	14,477	(26,698)	117	38,700
Profit/(Loss) for the financial period	14B	-	-	(18)	-	(18)
Share Investment Revaluation Reserve		-	(11,973)	-	-	(11,973)
Total recognised income and expense for the year		-	(11,973)	(18)	-	(11,991)
Contributions of equity, net of transaction costs	12	9,318	-	-	-	9,318
Share options expenses	14A	-	197	-	-	197
Shares issued on exercise of options	14A	-	(353)	-	-	(353)
Balance at 31 December 2008		60,122	2,348	(26,716)	117	35,871

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

For The Year Ended 31 December 2008

	Note	Consolidated		Parent entity	
		2008	2007	2008	2007
		\$	\$	\$	\$
Cash Flows from Operating Activities					
Rent received		67,831	49,563	67,831	49,563
Payments to suppliers (inclusive of goods and services tax)		(2,139,231)	(697,505)	(2,196,955)	(616,919)
Other income		121,626	65,390	121,626	65,390
Interest received		723,042	284,992	712,854	280,827
Goods and services tax receipts		743,477	177,135	611,239	126,486
Net cash from operating activities	20	(483,255)	(120,425)	(683,405)	(94,653)
Cash Flows from Investing Activities					
Proceeds of sale of plant, property & equipment		-	3,470	-	3,470
Purchase of plant, property & equipment		(239,745)	(64,825)	(219,745)	(54,825)
Proceeds from sale of investment securities		-	-	-	-
Payments for investment securities		-	-	-	-
Payments for loans to subsidiaries		-	-	(3,408,076)	(2,224,009)
Proceeds from sale of investments		-	-	-	-
Loss of cash from deconsolidation		-	-	-	-
Proceeds from security deposits		2,155	797,833	-	797,833
Payments for security deposits		(31,537)	(4,149)	(31,537)	-
Mine site rehabilitation expenditure		-	-	-	-
Exploration expenditure		(7,804,838)	(4,149,934)	(4,242,695)	(1,966,958)
Net cash provided for investing activities		(8,073,965)	(3,417,605)	(7,902,053)	(3,444,489)
Cash Flows from Financing Activities					
Proceeds from issue of shares and options		8,991,199	4,850,983	8,991,199	4,850,983
Cost of share issues		(26,604)	(475,318)	(26,604)	(475,318)
Receipts from Commercial Ready Grant		1,210,005	1,114,388	1,210,005	1,114,388
Net cash flow from financing activities		10,174,600	5,490,053	10,174,600	5,490,053
Net increase (decrease) in cash and cash equivalents		1,617,380	1,952,023	1,589,142	1,950,911
Cash and cash equivalents at the beginning of the financial year		6,706,623	4,754,600	6,693,676	4,742,765
Cash and cash equivalents at the end of the financial year	19	8,324,003	6,706,623	8,282,818	6,693,676

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Alkane Resources Ltd ("the Company") as an individual entity and the consolidated entity consisting of Alkane Resources Ltd and its subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

All amounts are presented in Australian dollars, unless otherwise noted.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRSs). Compliance with AIFRSs ensures that the consolidated financial statements and notes of Alkane Resources Ltd comply with IFRSs.

Historical cost convention

These financial statements have been prepared under the historical cost. Cost is based on the fair values of the consideration given in exchange for assets.

b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alkane Resources Ltd ("the Company") as at 31 December 2008 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Alkane Resources Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

The effects of all intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated in full.

Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated profit and loss account and balance sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated profit and loss account from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists.

c) Income Tax

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

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 financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially accepted by the balance sheet date 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 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. Statement of Accounting Policies (Continued)

d) Goods and Services Tax (GST) (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

e) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operation in other economic environments.

f) Revenue Recognition

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

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

g) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which it becomes receivable.

h) Royalties and other mining imposts

Ad valorem royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystallises. Profit based royalties are accrued on a basis which matches the annual royalty expense with the profits on which the royalties are assessed (after allowing for permanent differences).

i) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents include cash on hand and deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

j) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

k) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value, less impairment provision, of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

l) Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis to write off the net cost of each asset during their expected useful life of 3 to 5 years.

m) Investments and Other Financial Assets

The Group classifies its investments in the following categories: loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. This designation is re-evaluated at each reporting date.

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. Statement of Accounting Policies (Continued)

n) **Impairment of assets**

Assets are reviewed for impairment at each reporting date or 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 each reporting date.

Goodwill and 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.

o) **Trade Payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

p) **Provisions**

Provisions are recognised when the Company has a present obligation and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

q) **Leases**

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised. The Company has no finance leases.

r) **Joint ventures**

The consolidated entity's proportionate interests in the assets, liabilities and expenses of a joint venture have been incorporated in the financial statements under the appropriate headings. Where part of a joint venture interest is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the economic entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farm out continues to be carried forward without adjustment, unless the terms of the farm out indicate that the value of the exploration expenditure carried forward is excessive based on the diluted interest retained or it is not thought appropriate to do so. A provision is made to reduce exploration expenditure carried forward to its recoverable or appropriate amount. Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property.

s) **Exploration expenditure**

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and:

- i) the area has proven commercially recoverable reserves; or
- ii) exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

At the end of each financial year the Directors assess the carrying value of the exploration expenditure carried forward in respect of each area of interest and where the carried forward carrying value is considered to be in excess of (i) above, the value of the area of interest is written down.

Capitalised exploration expenditure is considered for impairment based upon areas of interest on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted or planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. Statement of Accounting Policies (Continued)

t) Mineral Tenements

The Company's activities in the mining industry are subject to regulations and approvals including mining heritage, environmental regulation, the implications of the High Court of Australia decision in what is known generally as the "Mabo" case and any State or Federal legislation regarding native and mining titles. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined and could effect any mining title area whether granted by the State or not.

u) Restoration, rehabilitation and environment expenditure

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

Restoration, rehabilitation and environmental expenditure necessitated by the development and production activities are accrued on an ongoing basis over the production life of the mining activity and treated as costs of production.

Restoration, rehabilitation and environmental obligations recognised include the costs of reclamation, plant and waste site closure, current and subsequent monitoring of the environment.

v) Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in creditors and borrowings in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with wages and salaries above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits only where there is a reasonable expectation that a liability will be incurred.

Superannuation

The amounts charged to the statement of financial performance for superannuation represents the contributions to superannuation funds in accordance with the statutory superannuation contributions requirements or an employee salary sacrifice arrangement. No liability exists for any further contributions by the Company in respect to any superannuation scheme.

Redundancy

The liability for redundancy is provided in accordance with work place agreements.

w) Contributed 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.

x) Earnings per share

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Alkane Resources Ltd by the weighted average number of ordinary shares outstanding during the year.

y) Share based payments

Where shares or options are issued to employees, including directors, as remuneration for services, the difference between fair value of the shares or options issued and the consideration received, if any, from the employee is expensed. The fair value of the shares or options issued is recorded in contributed equity.

Notes to the Financial Statements

For The Year Ended 31 December 2008

1. Statement of Accounting Policies (Continued)

z) New accounting standards and UIG interpretations

Certain new accounting standards have been published that are not mandatory for 31 December 2008 reporting periods. The Group has not applied any of the following in preparing this financial report:

Affected Standard	Nature of Change to Accounting Policy	Application *
AASB 8: Operating Segments	No impact on accounting policy, affects disclosures in relation to operating segments instead of business and geographical segments for the financial report ending 30 June 2010.	1 January 2009
AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB5, AASB6, AASB102, AASB 107, AASB119, AASB127, AASB134, AASB136, AASB 1023 and AASB1038]	No impact on accounting policy, affects disclosures only	1 January 2009
Revised AASB 101: Presentation of Financial Statements	No impact on accounting policy, affects disclosures only	1 January 2009
Amendments to Australian Accounting Standards arising from AASB 101	No impact on accounting policy, affects disclosures only	1 January 2009

* Applicable to reporting periods commencing on or after the given date.

aa) Critical accounting estimates & judgements

In preparing this Financial Report the Company has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

i) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on an number of factors, including whether the Company decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

As at 31 December 2008, the carrying value of exploration expenditure of the group is \$25,035,092.

Notes to the Financial Statements

For The Year Ended 31 December 2008

	Consolidated		Parent entity	
	2008 \$	2007 \$	2008 \$	2007 \$
2. Income Tax Expense				
a) Income tax expense				
Current tax		-		-
Deferred tax	-	-	-	-
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	(17,898)	(1,325,449)	(17,898)	(1,325,497)
Prima facie tax payable at 30 %	(5,369)	(397,635)	(5,369)	(397,649)
Add: tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Share based payments	59,243	271,271	59,243	271,271
Adjustments in respect of deferred income tax of previous years	5,117,422	4,318,017	3,026,036	2,659,399
Tax losses not brought to account as a deferred tax	(5,171,296)	(4,191,653)	(3,079,910)	(2,533,021)
	-	-	-	-
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised				
Potential tax benefit at 30%	12,168,293	10,193,148	11,135,864	10,232,077
d) Unrecognised temporary differences				
Deferred tax liabilities – capitalised exploration	(7,205,924)	(5,473,679)	(4,259,156)	(3,169,031)
Deferred tax assets – accrued expenses	59,533	51,653	59,533	51,653
Deferred tax assets – provisions	-	-	207,825	-
Deferred tax assets – revenue tax losses	12,168,293	10,193,148	11,135,864	10,232,077
Total deferred tax asset not recognised	12,227,826	10,244,801	11,403,222	10,283,730
Net deferred tax asset	5,021,902	4,771,122	7,144,066	7,114,699
Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and there is a legally recognised right to set off.				
3. Trade and other Receivables (Current)				
Debtors including GST refunds	756,389	419,627	749,453	405,187
4. Available for sale financial assets (Current)				
Quoted Shares - At fair value				
Opening balance at 1 January	7,950	2,400	7,950	2,400
Net gain (loss) from fair value adjustment	(6,810)	5,550	(6,810)	5,550
Closing balance at 31 December	1,140	7,950	1,140	7,950
5. Other financial assets (Current)				
Interest bearing security deposits (not available for use)	469,693	440,312	367,266	335,729
	469,693	440,312	367,266	335,729

Deposits bear a weighted average interest rate of 3.75% (2007: 6.96%)

Notes to the Financial Statements

For The Year Ended 31 December 2008

	Consolidated		Parent entity	
	2008 \$	2007 \$	2008 \$	2007 \$
6. Available for sale financial assets (Non-Current)				
Quoted Shares - At fair value				
Opening balance at 1 January	13,680,000	9,000	13,680,000	9,000
Net gain (loss) from fair value adjustment	(11,970,000)	13,671,000	(11,970,000)	13,671,000
Closing balance at 31 December	1,710,000	13,680,000	1,710,000	13,680,000
7. Held-to-maturity investments (Non-current)				
Shares in controlled entities - carried at cost (Note 18)				
Opening balance at 1 January	-	-	5,865,565	5,865,565
Closing balance at 31 December	-	-	5,865,565	5,865,565
Loans to (from) subsidiaries				
At fair value				
Opening balance at 1 January	-	-	4,964,073	2,740,066
Addition	-	-	3,408,076	2,224,007
Closing balance at 31 December	-	-	8,372,149	4,964,073
Net gain (loss) from fair value adjustment	-	-	(3,675,851)	(2,956,100)
	-	-	10,561,863	7,873,538
8. Property, Plant And Equipment				
Property, plant & equipment - at cost	1,265,049	1,025,304	1,086,741	866,996
Less: Accumulated depreciation	(250,001)	(200,676)	(222,684)	(173,359)
	1,015,048	824,628	864,057	693,637
Reconciliation of carrying amount				
Opening balance at 1 January	824,628	791,876	693,637	670,885
Plant & equipment acquired during year	239,745	64,826	219,745	54,826
Disposals	-	(15,367)	-	(15,367)
Depreciation during year	(49,325)	(16,707)	(49,325)	(16,707)
Closing balance at 31 December	1,015,048	824,628	864,057	693,637
9. Exploration and Development Expenditure (Non-Current)				
Peak Hill Mine development at fair value	1	1	1	1
Peak Hill Project acquisition and exploration at fair value				
Opening balance at 1 January	1,000,000	1,000,000	1,000,000	1,000,000
Expenditure during the period	22,570	14,545	22,570	14,545
Net gain (loss) from fair value adjustment	(22,570)	(14,545)	(22,570)	(14,545)
Closing balance at 31 December	1,000,000	1,000,000	1,000,000	1,000,000
Accumulated contributions to other ongoing exploration projects at fair value				
Opening balance at 1 January	17,245,596	13,538,922	9,563,437	8,010,198
Expenditure during the period	7,550,197	3,854,913	3,988,053	1,671,936
Net gain (loss) from fair value adjustment	(760,702)	(148,239)	(49,832)	(118,697)
Closing balance at 31 December	24,035,091	17,245,596	13,501,658	9,563,437
	25,035,092	18,245,597	14,501,659	10,563,438

Notes to the Financial Statements

For The Year Ended 31 December 2008

9. Other (Non-Current)

Exploration and Development Expenditure (Continued)

The Company's activities in the mining industry are subject to regulations and approvals including mining, heritage, environmental regulation, the implications of the High Court of Australia decisions in what is known generally as the "Mabo" and the "Wik" cases and any State or Federal legislation regarding native and mining titles Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined and could affect any mining title area whether granted by the State or not.

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
10. Trade and other Payables (Current Liabilities)				
Trade creditors	1,241,653	1,452,231	968,544	1,380,649
	1,241,653	1,452,231	968,544	1,380,649
11. Provisions (Current Liabilities)				
Provision for annual leave	61,220	41,984	61,220	41,984
	61,220	41,984	61,220	41,984
Provisions (Non-current Liabilities)				
Provision for redundancy/long service leave	137,224	130,191	137,224	130,191
12. Contributed Equity				
Share Capital				
Ordinary shares – Fully paid	244,634,162	60,121,618	215,888,726	50,803,706
Movements in ordinary share capital				
Opening balance at 1 January	215,888,726	51,902,846	200,543,468	46,950,472
Rights issue	25,783,436	8,250,699	14,495,258	4,638,483
Exercise of options**	2,962,000	740,500	850,000	212,500
Share option reserve transferred on exercise	-	353,317	-	101,391
Closing balance at 31 December	244,634,162	61,247,362	215,888,726	51,902,846
Less: Costs of Issues	-	(1,125,744)	-	(1,099,140)
As per Balance Sheet	244,634,162	60,121,618	215,888,726	50,803,706

Terms and conditions of ordinary shares:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings. In the event of winding up of the company, ordinary shareholders rank after all other shareholders and creditors are fully entitled to any proceeds of liquidations.

Notes to the Financial Statements

For The Year Ended 31 December 2008

13. Options on Issue

	Parent entity	
	2008 Number	2007 Number
Options –Unlisted		
Exercisable at 40 cents expiring 24 May 2007	-	-
Movements in these options:		
Balance at beginning of year	-	500,000
Exercised during year	-	-
Expired during the year	-	(500,000)
Balance as at 31 December	-	-
Exercisable at 50 cents to 24 May 2006 and at 60 cents thereafter expiring 24 May 2007	-	-
Movements in these options:		
Balance at beginning of year	-	4,750,000
Expired during the year	-	(4,750,000)
Balance 31 December	-	-
Exercisable at 45 cents each expiring 29 May 2008	-	975,000
Movements in these options:		
Balance at beginning of year	975,000	975,000
Expired during year	(975,000)	-
Balance 31 December	-	975,000
Exercisable at 25 cents each expiring 30 Sep 2008	-	3,350,000
Movements in these options:		
Balance at beginning of year	3,350,000	-
Issued during year	-	4,200,000
Exercised during the year	(2,962,000)	(850,000)
Expired during the year	(388,000)	-
Balance 31 December	-	3,350,000
Exercisable at 30 cents each vesting 19 Apr 2008 expiring 30 Sep 2009	4,400,000	4,200,000
Movements in these options:		
Balance at beginning of year	4,200,000	-
Issued during year	200,000	4,200,000
Balance 31 December	4,400,000	4,200,000

Notes to the Financial Statements

For The Year Ended 31 December 2008

14. Reserves and Accumulated Losses

(A) RESERVES

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Share-based payments reserve	647,006	802,847	647,006	802,847
Movement:				
Balance 1 January	802,847	-	802,847	-
Employee Option expense	197,476	904,238	197,476	904,238
Issue of shares to employees	(353,317)	(101,391)	(353,317)	(101,391)
Equity-settled benefits	-	-	-	-
Balance 31 December	647,006	802,847	647,006	802,847
Share Investment Revaluation Reserve	1,701,000	13,674,236	1,701,000	13,674,236
Movement:				
Balance 1 January	13,674,236	-	13,674,236	-
Revaluation	(11,973,236)	13,674,236	(11,973,236)	13,674,236
Balance 31 December	1,701,000	13,674,236	1,701,000	13,674,236
(B) ACCUMULATED LOSSES				
Balance 1 January	(26,698,136)	(25,372,742)	(26,580,458)	(25,254,961)
Loss for the year after related income tax expense	(17,843)	(1,325,394)	(17,898)	(1,325,497)
Balance 31 December	(26,715,979)	(26,698,136)	(26,598,356)	(26,580,458)

(C) NATURE AND PURPOSE OF RESERVES

The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised and equity-settled benefits issued in settlement of share issue costs and part consideration, in lieu of cash payment, for acquisition of mineral interests.

15. Key Management Personnel Disclosure

A) Directors

The names of Directors who have held office during the financial year are:

Alkane Resources Ltd

John S F Dunlop, D Ian Chalmers, Ian R Cornelius, Ian J Gandel, Anthony D Lethlean

Subsidiaries

LFB Resources NL, Kiwi Australian Resources Pty Ltd, Australasian Geo-Data Pty Ltd, Australian Zirconia Ltd

Ian R Cornelius, D Ian Chalmers, Lindsay A Colless

Skyray Properties Ltd (BVI)

L Thomas

Executives during year

D Ian Chalmers (Managing Director)

B) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly during the financial year:

L A Colless – Company Secretary

K E Brown – Joint Company Secretary

Notes to the Financial Statements

For The Year Ended 31 December 2008

15. Key Management Personnel Disclosure – continued

C) Transactions with Key Management Personnel

- a) technical services and geological consulting fees of \$577,228 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.
- b) consulting fees of \$8,250 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.
- c) amounts of \$7,941 paid or due and payable to Rocky Rises Pty Ltd, a company in which Mr Lethlean has a substantial financial interest, for consulting services provided in the normal course of business and at normal commercial rates.
- d) consulting fees of \$5,400 paid or due and payable to Gandel Metals Pty Ltd, a company in which Mr Ian Gandel has a substantial financial interest and
- e) administration, accounting and company secretarial fees of \$126,000 paid or due and payable to a company in which Mr Colless and Miss Brown have substantial financial interests for services provided in the normal course of business and at normal commercial rates.

These fees and disbursements exclude benefits included in the aggregate amount of emoluments received or due and receivable by Directors as directors' fees and shown in the financial statements, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee.

D) Outstanding Balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current payables – Directors' fees

a) A D Lethlean	\$6,566
b) I J Gandel	\$4,167
c) J S Dunlop	\$6,430
d) D I Chalmers	\$5,500

E) Equity instrument disclosures relating to key management personnel

The interests of Directors and key management personnel and their respective related entities in shares and share options at the end of the financial period are as follows:

Name	Shares held directly	Shares held indirectly	Options held directly	Options held indirectly
I R Cornelius	9,450	2,683,609	-	500,000
A D Lethlean	-	212,000	-	500,000
D I Chalmers	4,536	1,467,148	-	500,000
I J Gandel	-	70,411,964	-	500,000
J S Dunlop	-	500,000	-	500,000
L A Colless	24,405	502,000 ^(a)	-	500,000 ^(a)
K E Brown	58,324	250,000 ^(a)	-	250,000 ^(a)
L A Colless & K E Brown in joint interests	-	284,849 ^(b)	-	-

(a) Held by MAS Superfund for the benefit of the respective key management personnel

(b) Held in the name of Mineral Administration Services Pty Ltd, a company in which Mr. Colless and Miss Brown are directors and shareholders.

Notes to the Financial Statements

For The Year Ended 31 December 2008

15. Key Management Personnel Disclosure – continued

E) Equity instrument disclosures relating to key management personnel - continued

Name	Balance at the start of the financial period	Changes during the year	Issued during the year on exercise of options	Balance at the end of the financial period
(1) Shares				
Directors				
I R Cornelius	1,103,550	1,089,509	500,000	2,693,059
A D Lethlean	-	-	212,000	212,000
D I Chalmers	971,684	-	500,000	1,471,684
I J Gandel	44,622,808	25,789,156	-	70,411,964
J S Dunlop	-	-	500,000	500,000
Key Management Personnel				
L A Colless	26,405	-	500,000	526,405
K E Brown	58,324	-	250,000	308,324
L A Colless & K E Brown in joint interests	284,849	-	-	284,849
Total shares	47,067,620	26,878,665	2,462,000	76,408,285
(2) Options				
Directors				
I R Cornelius	1,000,000	(500,000)	-	500,000
A D Lethlean	1,000,000	(500,000)	-	500,000
D I Chalmers	1,000,000	(500,000)	-	500,000
I J Gandel	500,000	-	-	500,000
J S Dunlop	1,000,000	(500,000)	-	500,000
Key Management Personnel				
L A Colless	1,000,000	(500,000)	-	500,000
K E Brown	500,000	(250,000)	-	250,000
Total Options	6,000,000	(2,750,000)	-	3,250,000

2007

Name	Balance at the start of the financial period	Changes during the year	Issued during the year on exercise of options	Balance at the end of the financial period
(1) Shares				
Directors				
I R Cornelius	1,299,375	(195,825)	-	1,103,550
A D Lethlean	-	-	-	-
D I Chalmers	809,738	161,946	-	971,684
I J Gandel	33,245,674	10,877,134	500,000	44,622,808
J S Dunlop	-	-	-	-
Key Management Personnel				
L A Colless	21,370	5,035	-	26,405
K E Brown	48,604	9,720	-	58,324
L A Colless & K E Brown in joint interests	226,072	58,777	-	284,849
Total shares	35,650,833	10,916,787	500,000	47,067,620

Notes to the Financial Statements

For The Year Ended 31 December 2008

15. Key Management Personnel Disclosure

E) Key Management Personnel Disclosure – continued

2007

Name	Balance at the start of the financial period	Changes during the year	Issued during the year on exercise of options	Balance at the end of the financial period
<u>(2) Options</u>				
Directors				
I R Cornelius	1,000,000	(1,000,000)*	1,000,000	1,000,000
A D Lethlean	1,000,000	(1,000,000)*	1,000,000	1,000,000
D I Chalmers	1,000,000	(1,000,000)*	1,000,000	1,000,000
I J Gandel	-	(500,000)	1,000,000	500,000
J S Dunlop	-	-	1,000,000	1,000,000
Key Management Personnel				
L A Colless	-	1,000,000	-	1,000,000
K E Brown	-	500,000	-	500,000
Total Options	3,000,000	(2,000,000)	5,000,000	6,000,000

* Expired during the year

F) Key management personnel compensation

	2008 \$	2007 \$
Short term employee benefits	1,004,939	1,409,158
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	121,665	586,241
	1,126,604	1,995,399

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A-C of the remuneration report within the Directors' Report.

G) Related party transactions

Other than, the transactions disclosed above there are no other transactions between related parties that require disclosure.

16. Segmental Information

The economic entity operates predominantly in one geographic location. The operations of the economic entity consist of mining and exploration for gold and other minerals within Australia.

Notes to the Financial Statements

For The Year Ended 31 December 2008

17. Related Party Transactions

Directors (current)	Related party	Terms and conditions	Consolidated		Parent entity	
			2008	2007	2008	2007
Type of transaction	Directors		\$	\$	\$	\$
Management consulting	J S F Dunlop	Normal commercial	8,250	7,263	8,250	7,263
Director's retainer			68,310	50,000	68,310	50,000
Geological consulting, including geological and technical support staff	D I Chalmers	Normal commercial	577,228	583,442	439,193	468,148
Director's retainer			61,500	60,000	61,500	60,000
Management consulting	I R Cornelius	Normal commercial	2,400	-	2,400	-
Director's retainer			49,167	40,000	49,167	40,000
Director's consulting	I J Gandel	Normal commercial	5,400	8,000	5,400	8,000
Director's retainer			49,167	40,000	49,167	40,000
Consulting	A D Lethlean	Normal commercial	7,941	3,600	7,941	3,600
Directors' retainer			49,576	39,732	49,576	39,732
Underwriting agreement	I J Gandel	(2007- 3.5% of underwritten value)	-	451,121	-	451,121

18. Controlled Entities

Name	Inc	Class	Book value		Equity		Contribution to Group	
			2008	2007	2008	2007	2008	2007
			\$	\$	%	%	\$	\$
Australian Zirconia Ltd	WA	Ord	1	1	100	100	(684,904)	(21,146)
Skyray Properties Ltd	BVI	Ord	2,300,000	2,300,000	100	100	(6,144)	(7,127)
Kiwi Australian Resources Pty Ltd	NSW	Ord	-	-	100	100	-	-
LFB Resources NL	NSW	Ord	3,558,700	3,558,700	100	100	(28,492)	(46,251)
Australasian Geo-Data Pty Ltd	Qld	Ord	6,864	6,864	74	74	(157)	(157)
			5,865,565	5,865,565				
Contribution to Group Profit (Loss) after minorities							(719,697)	(74,681)
Parent –Alkane Resources Ltd							701,854	(1,250,713)
Profit (loss) for year – group							(17,843)	(1,325,394)
Loans to (from) subsidiaries			12,978,387	9,570,310				
Provision for loss			(8,282,089)	(7,562,337)				
Parent net investment in subsidiaries			10,561,863	7,873,538				

19. Reconciliation of Cash

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash at bank	6,081,482	5,788,359	6,040,297	5,775,412
Call deposits	2,242,521	918,264	2,242,521	918,264
	8,324,003	6,706,623	8,282,818	6,693,676

Cash at bank bears a weighted average interest rate of 3.75% (2007: 5.21%)

Notes to the Financial Statements

For The Year Ended 31 December 2008

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
20. Reconciliation Of Net Cash Outflow From Operating Activities To Operating Loss After Income Tax				
Operating Profit (Loss)	(17,898)	(1,325,449)	(17,898)	(1,325,497)
Non-cash fair value adjustments				
• Depreciation	49,325	16,707	49,325	16,707
• Movements in Provisions	29,843	24,571	749,594	99,189
Share based payments	197,476	904,238	197,476	904,238
Grant received	(1,489,772)	(834,620)	(1,489,772)	(834,620)
Exploration	1,015,344	443,260	304,474	413,719
Loss on sale of assets	-	11,653	-	11,653
Changes in net current assets and liabilities				
• Decrease (increase) in Trade and other receivables	(339,332)	36,766	(346,836)	43,639
• Decrease (increase) in Trade and other payables	71,759	602,449	(129,768)	576,319
Net cash provided for operating activities	(483,255)	(120,425)	(683,405)	(94,653)

The Company has no credit standby or financing facilities in place other than disclosed in the statement of financial position.

21. Share-Based Payments

Set out below is a summary of the options granted during the financial period:

Consolidated and parent entity 2008

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the financial period	Exercised during the financial period	Expired during the financial period	Balance at end of the financial period	Vested and exercisable at end of financial period
			(Number)	(Number)			(Number)	(Number)
Director options								
19 April 2007	30 Sep 2008	\$0.25	2,000,000	-	(1,712,000)	(288,000)	-	-
19 April 2007	30 Sep 2009	\$0.30	2,500,000		-	-	2,500,000	2,500,000
Company Secretary options								
19 April 2007	30 Sep 2008	\$0.25	500,000		(500,000)	-	-	-
19 April 2007	30 Sep 2009	\$0.30	500,000	-	-	-	500,000	500,000
Employee/Consultants options								
30 May 2003	29 May 2008	\$0.45	975,000	-	-	(975,000)	-	-
19 April 2007	30 Sep 2008	\$0.25	850,000	-	(750,000)	(100,000)	-	-
19 April 2007	30 Sep 2009	\$0.30	1,200,000	200,000	-	-	1,400,000	1,400,000
Weighted average exercise price			\$0.30	\$0.30	\$0.25	\$0.39	\$0.30	\$0.30

Notes to the Financial Statements

For The Year Ended 31 December 2008

21. Share-Based Payments - continued

Consolidated and parent entity 2007

Grant Date	Expiry date	Exercise price	Balance at the start of the year (Number)	Granted during the financial period (Number)	Exercised during the financial period	Expired during the financial period	Balance at end of the financial period (Number)	Vested and exercisable at end of financial period (Number)
Director options								
10 June 2002	24 May 2007	\$0.60	4,000,000	-	-	(4,000,000)	-	-
26 May 2003	24 May 2007	\$0.60	750,000	-	-	(750,000)	-	-
19 April 2007	30 Sep 2008	\$0.25	-	2,500,000	(500,000)	-	2,000,000	2,000,000
19 April 2007	30 Sep 2009	\$0.30	-	2,500,000	-	-	2,500,000	-
Company Secretary options								
19 April 2007	30 Sep 2008	\$0.25	-	500,000	-	-	500,000	500,000
19 April 2007	30 Sep 2009	\$0.30	-	500,000	-	-	500,000	-
Employee/Consultants options								
10 June 2002	24 May 2007	\$0.40	500,000	-	(500,000)	-	-	-
30 May 2003	29 May 2008	\$0.45	975,000	-	-	-	975,000	975,000
19 April 2007	30 Sep 2008	\$0.25	-	1,200,000	(350,000)	-	850,000	850,000
19 April 2007	30 Sep 2009	\$0.30	-	1,200,000	-	-	1,200,000	-
Weighted average exercise price			\$0.50	\$0.28	\$0.25	\$0.50	\$0.30	\$0.30

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

(A) Director option expense

No options were issued to the Directors during the financial year.

(B) Employee option expense

Employee share options have been granted to provide long-term incentive for senior employees to deliver long-term shareholder returns. Participation in employee share options is at the Board's discretion and no individual has a contractual right to participate in a plan or to receive any guaranteed benefits.

Fair value of options granted on 17 April 2008 and expiring on 30/09/2009

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price(\$0.30), the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date (\$0.375) and expected price volatility (107%) of the underlying share, the expected dividend yield (nil) and the risk-free interest rate (6.27%) for the term of the option.

(C) Expenses arising from share-based payment transactions

Total expenses arising from share-based payments recognised during the financial period as employee benefits expense was:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Director benefits (share options)	109,663	645,884	109,663	645,884
Employee/Consultant benefits (share options)	87,813	258,354	87,813	258,354
	197,476	904,238	197,476	904,238

Notes to the Financial Statements

For The Year Ended 31 December 2008

22. Subsequent Events

No other matter or circumstance has arisen since 31 December 2008 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2008.

23. Earnings per Share ("Eps")

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Basic loss per share				
Loss attributable to the ordinary equity holders of the Company	(0.00)	(0.01)	(0.00)	(0.01)
	2008	2007	2008	2007
	\$	\$	\$	\$
(b) Earnings used in calculating earnings per share				
Loss attributable to the ordinary equity holders of the Company	(17,898)	(1,325,449)	(17,898)	(1,325,497)
	2008	2007	2008	2007
	Number	Number	Number	Number
(c) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share				
	244,634,162	200,798,126	244,634,162	200,798,126

The diluted earnings per share is not materially different from the basic earnings per share.

24. Commitments for Expenditure

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2009 amounts of approximately \$1,080,000 (2008 \$1,081,000) in respect of tenement lease rentals and exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in the normal course of operations.

The estimated exploration and joint venture expenditure commitments for the ensuing year, but not recognised as a liability in the financial statements:

	Consolidated	
	2008	2007
	\$	\$
Within one year	1,080,000	1,081,000
Later than one year but less than five years	-	-
Later than five years	-	-
	1,080,000	1,081,000

25. Financial Risk Management

Overview:

The company and group have exposure to the following risks from their use of financial instruments:

- (a) credit risk
- (b) liquidity risk
- (a) market risk

This note presents information about the company's and 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. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Notes to the Financial Statements

For The Year Ended 31 December 2008

25. Financial Risk Management - continued

(a) 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. For the company it arises from receivables due from subsidiaries and recharges to joint venture partners.

(i) Investments:

The group limits its exposure to credit risk by only investing with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables:

The company and group have established an allowance for impairment that represents their estimate of incurred losses in respect of receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The management does not expect any counterparty to fail to meet its obligations.

Presently, the group undertakes exploration and evaluation activities in Australia. At the balance sheet date there were no significant concentrations of credit risk.

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		Parent entity	
	Carrying amount		Carrying amount	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash and cash equivalents	8,691,269	7,146,935	8,650,084	7,029,405
Trade and other receivables	756,389	419,627	749,453	405,187
Other financial assets	1,813,567	13,687,950	1,711,140	13,687,950
Total exposure	11,261,225	21,254,512	11,106,677	21,122,542

An impairment loss of \$719,751 in respect of inter-group loans was recognised during the current year from a net asset analysis of the subsidiaries positions.

Impairment losses:

None of the Company's other receivables are past due (2007: nil).

The movement in the allowance for impairment in respect of inter-group loans on a non-consolidated basis during the year was as follows:

	Parent entity	
	2008	2007
	\$	\$
Balance at 1 January	(7,562,338)	(7,487,719)
Impairment loss/(write-back) recognised	(719,751)	(74,619)
Balance at 31 December	(8,282,089)	(7,562,338)

Whilst the loans were not payable as at 31 December 2008, a provision for impairment based on the subsidiaries financial position was made. The balance of this provision may vary due to the performance of a subsidiary in a given year.

The movement in the allowance for impairment in respect of listed shares on a consolidated basis during the year was as follows:

	Consolidated		Parent entity	
	Carrying amount		Carrying amount	
	2008	2007	2008	2007
	\$	\$	\$	\$
Balance at 1 January	13,680,000	9,000	13,680,000	9,000
Impairment loss/(write-back) recognised	(11,970,000)	13,671,000	(11,970,000)	13,671,000
Balance at 31 December	1,710,000	13,680,000	1,710,000	13,680,000

Notes to the Financial Statements

For The Year Ended 31 December 2008

25. Financial Risk Management - continued

(b) 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 manages liquidity risk by maintaining adequate reserves through continuously monitoring forecast and actual cash flows.

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

	Weighted Average Effective Interest Rate %	Variable Interest \$	Fixed Maturity Date Less than 1 year \$	1 to 2 years \$	Non-interest Bearing \$	Total \$
2008						
Financial assets						
Cash	4.49	8,268,027	-	-	55,976	8,324,003
Interest bearing deposits	3.83	259,693	200,000	-	10,000	469,693
Investments	-	-	-	-	1,711,140	1,711,140
Receivables	-	-	-	-	756,389	756,389
		8,527,720	200,000	-	2,533,505	11,261,225
Financial liabilities						
Accounts payable	-	-	-	-	(1,241,653)	(1,241,653)
		-	-	-	(1,241,653)	(1,241,653)

	Weighted Average Effective Interest Rate %	Variable Interest \$	Fixed Maturity Date Less than 1 year \$	1 to 2 years \$	Non-interest Bearing \$	Total \$
2007						
Financial assets						
Cash	5.76	2,047,577	-	-	4,659,046	6,706,623
Interest bearing deposits	5.87	220,062	200,000	-	20,250	440,312
Investments	-	-	-	-	13,687,950	13,687,950
Receivables	-	-	-	-	419,627	419,627
		2,267,639	200,000	-	18,786,873	21,254,512
Financial liabilities						
Accounts payable	-	-	-	-	(1,452,231)	(1,452,231)
		-	-	-	(1,452,231)	(1,452,231)

(c) Market Risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk:

The group does not operate internationally and is not exposed to currency risk.

The group has not entered into any derivative financial instruments to hedge such investments and anticipated future receipts or payments that are denominated in a foreign currency.

The group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Notes to the Financial Statements

For The Year Ended 31 December 2008

25. Financial Risk Management - continued

(ii) Price Risk

The Group and the parent entity are exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as available for sale or at fair value through profit and loss.

The table below summarises the impact of increases/decreases of the securities prices on the Group's and the parent entity's profit for the year and on equity. The analysis is based on the assumption that the price of securities increased/decreased by 80% (2007 – 60%) with all the other variables held constant.

Consolidated and Parent	Profit or loss		Equity	
	Increase \$	Decrease \$	Increase \$	Decrease \$
31 December 2008 – 80% change	2,314	(2,314)	10,950,360	(10,950,360)
31 December 2007 – 60% change	1,440	(1,440)	5,023,440	(5,023,440)

(iii) Interest rate risk:

At balance date the group had minimal exposure to interest rate risk, through its cash and equivalents held within financial institution.

	Consolidated Carrying Amount		Parent Entity Carrying Amount	
	31 December 2008 \$	31 December 2007 \$	31 December 2008 \$	31 December 2007 \$
Fixed rate instruments				
Financial assets	-	-	-	-
Variable rate instruments				
Financial assets	11,261,225	21,254,512	11,110,677	21,122,542

Fair value sensitivity analysis for fixed rate instruments:

There was no exposure to fixed rate instruments at balance date or at the previous reporting period.

Fair value 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. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

Consolidated	Profit or loss		Equity	
	100 bp increase	100bp decrease	100 bp increase	100 bp decrease
31 December 2008				
Cash and cash equivalents	112,613	(112,613)	112,613	(112,613)
31 December 2007				
Cash and cash equivalents	212,545	(212,545)	212,545	(212,545)

Net Fair value

For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying assets of the investment.

For other assets and other liabilities the net fair value approximates their carrying value as disclosed in the Balance Sheet.

Notes to the Financial Statements

For The Year Ended 31 December 2008

26. Auditors remuneration

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Amount received or due and receivable by the auditor for:				
a) Audit services				
Audit and review of financial reports under the Corporations Act 2001	42,500	48,000	42,500	48,000
b) Non Audit services				
Income tax return preparation	8,000	8,000	8,000	8,000
Total remuneration of auditors	50,500	56,000	50,500	56,000

The auditor of the Company and its subsidiaries is Rothsay Chartered Accountants.

The Company has received notification from the Company's auditor that he satisfies the independence criterion and that there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct in relation to the audit. The Company is satisfied that the non-audit services provided is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Directors' Declaration

In the opinion of the Directors of Alkane Resources Ltd:

- a) the financial statements and notes set out in preceding pages are in accordance with the Corporations Act 2001 including:
 - i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 December 2008 and of their performance for the financial year ending on that date; and
 - ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.



D I Chalmers
Director
Perth, 27th March 2009



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Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALKANE RESOURCES LTD

We have audited the accompanying financial report of Alkane Resources Ltd (the Company") which comprises the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 year.

The Company has disclosed information as required by Australian Accounting Standard AASB 124 *Related Party Disclosures* ("remuneration disclosures") under the heading "Remuneration Report" in the directors' report as permitted by the Corporations Regulations 2001.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the Directors' report comply with AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the Corporations Act 2001.



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

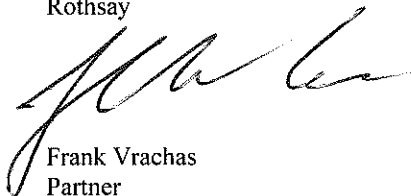
Audit opinion

In our opinion the financial report of Alkane Resources Ltd is in accordance with the Corporations Act 2001, including:

- a) (i) giving a true and fair view of the Company's and the group's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) the consolidated financial report also complies with International Financial Reporting Standards.
- c) the remuneration disclosures in the Directors' report comply with AASB 124



Rothsay



Frank Vrachas
Partner

Dated 27 MARCH 2009