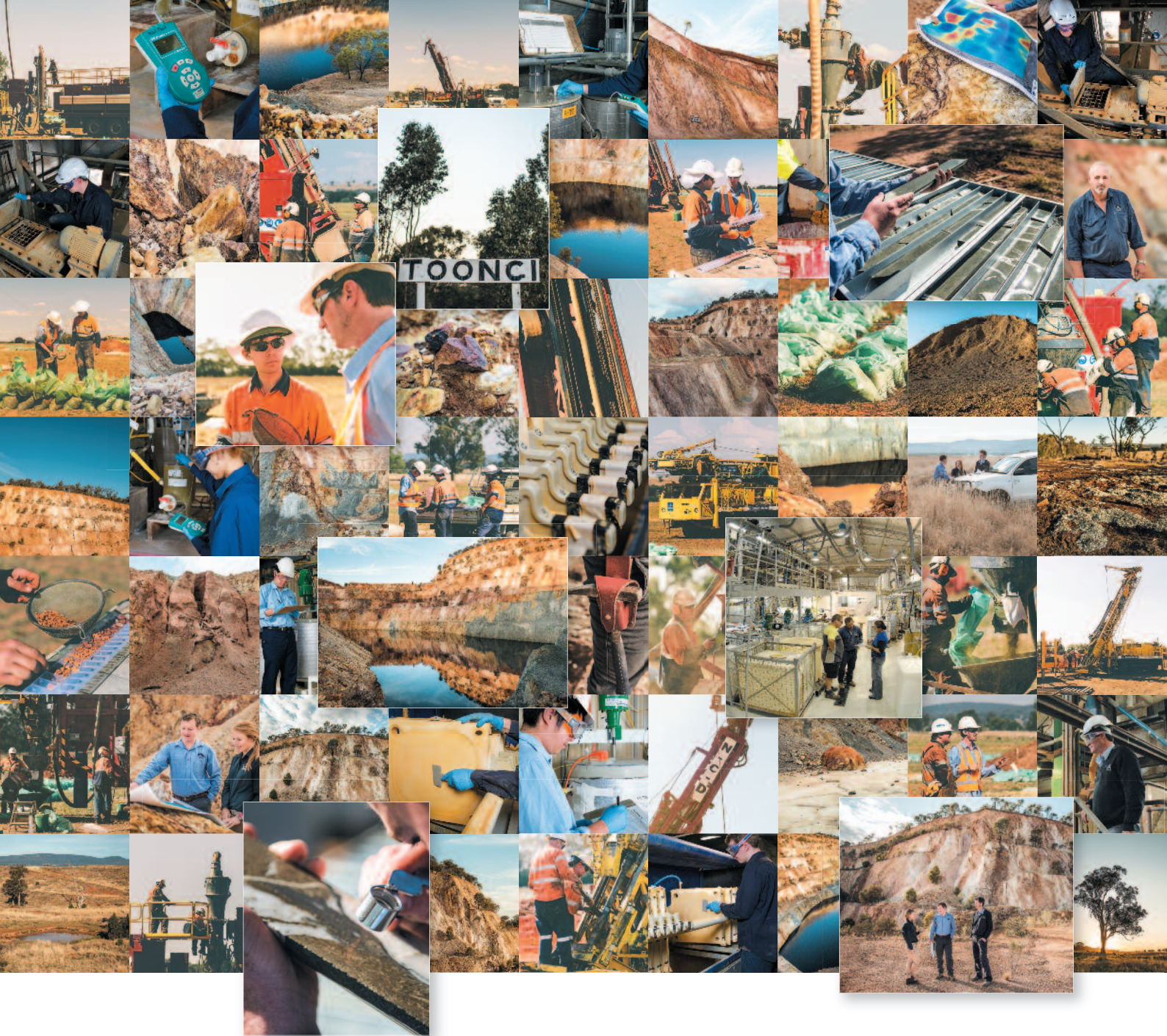




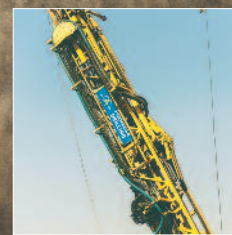
ALKANE
RESOURCES LTD
ABN 35 000 689 216

ANNUAL REPORT 2012



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COMPANY INFORMATION

ACN 000 689 216

ABN 35 000 689 216

DIRECTORS

J S F Dunlop
D I Chalmers
I J Gandel
A D Lethlean

SECRETARY

L A Colless
K E Brown

**REGISTERED OFFICE
AND PRINCIPAL
PLACE OF BUSINESS**

65 Burswood Road Burswood WA 6100
Telephone: 61 8 9227 5677
Facsimile: 61 8 9227 8178

SHARE REGISTRY

Advanced Share Registry Limited
150 Stirling Highway Nedlands WA 6009
Telephone: 61 8 9389 8033
Facsimile: 61 8 9389 7871

AUDITORS

Rothsay
Chartered Accountants
Level 18 Central Park Building
152-158 St Georges Terrace Perth WA 6000

**SECURITIES EXCHANGE
LISTINGS**

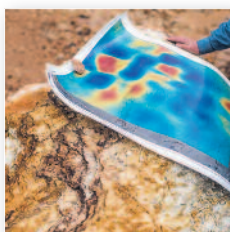
Australian Securities Exchange (Perth)
Ordinary fully paid shares
Code: ALK

OTCQX International
American Depositary Receipts (ADR)
Code: ANLKY

Level 1 ADR Sponsor
The Bank of New York Mellon
Depositary Receipts Division
101 Barclay Street 22W
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United States of America

INTERNET

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CHAIRMAN'S REPORT



Welcome to the 2012 Alkane Resources Annual Report. I'm pleased to say that 2012 was another very successful year for the Company – we made some definitive progress on our development and exploration projects, some significant staff appointments, and achieved some exciting financial successes that point to a very promising 2013.

DEVELOPMENT

Alkane is a multi-commodity mining company with a series of projects at various stages of execution. We are currently developing two major projects in the Central West of NSW: the Dubbo Zirconia Project (DZP), a very large in-ground resource of rare metals and rare earths; and the Tomingley Gold Project (TGP), a medium-sized gold resource located 15 kilometres north of the Company's successful Peak Hill Gold Mine (1996 – 2005).

2012 was a fast-paced year for both projects. After a series of delays, the TGP received project approvals from the NSW Department of Planning and Infrastructure in late July, with the Mining Lease granted in early 2013. The project remains on track to move into production late 2013. The Company is continuing its discussions with Credit Suisse to provide a project financing facility.

The DZP remains a very robust investment option and enjoyed a number of successes over the year. Chief among them was the signing of a Memorandum of Understanding (MoU) with the Shin-Etsu Chemical Company in Japan to manage the treatment of 100% of the rare earth concentrates produced by the project, and to provide off-take for several of the separated rare earths. Shin-Etsu is a leading Japanese chemical company which operates a separation and refining plant for rare earths in Japan, and is one of the largest non-Chinese rare earth companies in the world.

Alkane also made significant progress in compiling the environmental impact statement (EIS) for the DZP, which is due to be lodged in Q2 2013. We anticipate the project will be commissioned late in 2015 and will be in full production in 2016. There is an ongoing high level of interest from industry in the output from the DZP, and Alkane continues to look for the most strategic and profitable of these partners.

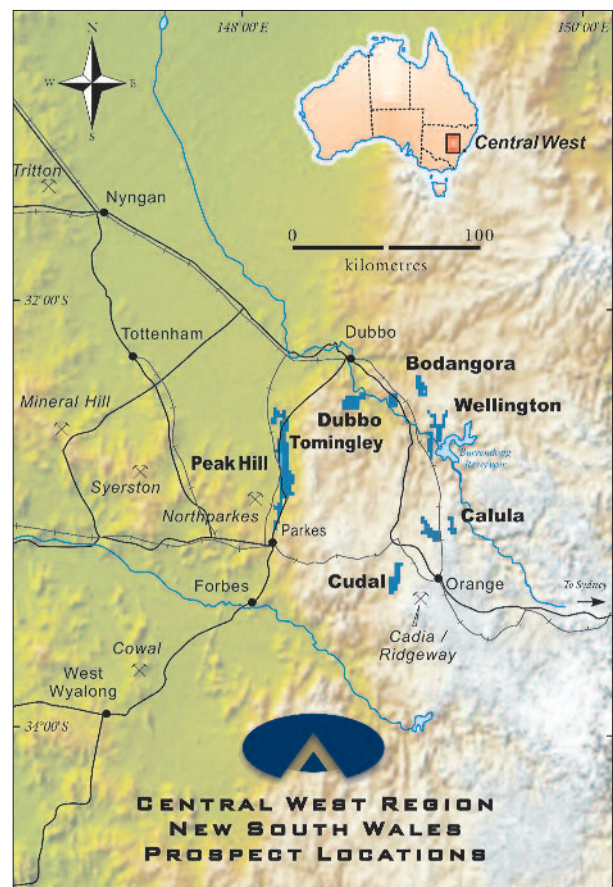
EXPLORATION

Key among our exploration project achievements this year was finalising the sale of the Orange District Exploration Joint Venture (ODEJV) near Orange in Central West NSW. The principal asset of the ODEJV is a 2.96 million ounce gold resource at McPhillamys, within the Moorilda tenements. The ODEJV, which was jointly owned by the Newmont Mining Corporation (51%) and Alkane Resources (49%), was sold to Regis Resources on November 16, 2012. Alkane received 17.5 million Regis shares for its stake in the project.

Other exploration milestones included reconnaissance drilling at Bodangora that has confirmed several key geological features associated with porphyry copper gold systems at the Glen Hollow Prospect, now considered an excellent target for future Alkane activities. Additional projects at Wellington, Cudal, Calula and Peak Hill are at various stages of exploration and evaluation. These projects will continue to add significant value to our mining portfolio, to enhance our geological and exploration knowledge in the Central West of NSW, and to create opportunities for new development projects in the coming years.

STAFFING

In terms of staffing achievements, we were very fortunate to have the opportunity to appoint some extremely experienced people to the senior Alkane Resources team. Michael Ball accepted the role of Chief Financial Officer, while Henry Kaye, Sean Buxton and Colleen Measday took on the roles of Project Manager (Construction), Operations Manager and Environmental Superintendent respectively at the TGP. These appointments are in line with Alkane's commitment to building the team capability of our management, construction and operations teams with the view to returning the Company to significant producer status during the next 1-3 years.





CHAIRMAN'S REPORT

CAPITAL

Early in 2012, the Company completed a three-stage capital raising, totalling approximately \$107 million. This will provide significant funding towards development of the TGP, funding of the EIS and further process development for the DZP, and exploration and general working capital.

In mid-2012, the Directors offered 307,500 free shares to long term staff and consultants of the Company in recognition of their ongoing commitment to the Company and their belief in our journey ahead.

ACKNOWLEDGEMENTS

I would like to thank my fellow directors, our consultants and exploration and operations teams for their continued efforts and look forward to a most rewarding year as Alkane progresses with its major projects.

I would also like to thank the many shareholders who have supported the Company over many years and remained loyal during some testing times in the stock market.

John S F Dunlop

Chairman



DUBBO ZIRCONIA PROJECT

OVERVIEW

The Dubbo Zirconia Project (DZP) is based on a large deposit of zirconium, hafnium, niobium, tantalum, yttrium and rare earths, located 30 kilometres south of the large regional centre of Dubbo in the Central West of NSW.

The DZP is a unique, long-life asset with a potential mine life of 70+ years. Unlike many rare earth resources, the DZP is home to an unusually high proportion of heavy rare earths, making it one of the few deposits of its kind outside China. The size and significance of the DZP is such that the resource is expected to provide up to 4% of annual global heavy rare earth supplies, as well as significant quantities of niobium and zirconium.

The deposit hosting the mineralisation is a sub-volcanic trachyte horizontal intrusive body approximately 900 metres by 600 metres, which was drilled out in 2000 – 2001.

IDENTIFIED MINERAL RESOURCES

Dubbo Zirconia Project – Mineral Resources

Toongi Deposit	Tonnage (Mt)	ZrO ₂ (%)	HfO ₂ (%)	Nb ₂ O ₅ (%)	Ta ₂ O ₅ (%)	Y ₂ O ₃ (%)	REO (%)
Measured	35.70	1.96	0.04	0.46	0.03	0.14	0.75
Inferred	37.50	1.96	0.04	0.46	0.03	0.14	0.75
TOTAL	73.20	1.96	0.04	0.46	0.03	0.14	0.75

These Mineral Resources are based upon information compiled by Mr Terry Ransted MAusIMM (Alkane Chief Geologist) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Terry Ransted consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology were given in the 2004 Annual Report.





REVIEW OF OPERATIONS



Dubbo Zirconia Project – Ore Reserves

Toongi Deposit	Tonnage (Mt)	ZrO ₂ (%)	HfO ₂ (%)	Nb ₂ O ₅ (%)	Ta ₂ O ₅ (%)	Y ₂ O ₃ (%)	REO (%)
Proved	8.07	1.91	0.04	0.46	0.03	0.14	0.75
Probable	27.86	1.93	0.04	0.46	0.03	0.14	0.74
Total	35.93	1.93	0.04	0.46	0.03	0.14	0.74

These Ore Reserves are based upon information compiled by Mr Terry Ransted MAusIMM (Alkane Chief Geologist) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The reserves were calculated at a 1.5% combined ZrO₂+Nb₂O₅+Y₂O₃+REO cut-off using costs and revenues defined in the notes in ASX Announcement of 16 November 2011. Terry Ransted consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

One deep diamond drill hole, TOD003 (228.4 metres), tested the Toongi deposit during the year to determine the thickness of the mineralised trachyte, to assist with understanding the deposit origin and to determine additional resource potential. The drill hole intersected 118.7 metres of trachyte, although the top 5.9 metres are weathered and mixed with surface clays and the basal 5.4 metres are weathered and irregularly mineralised. The average grade of the hole is:

1.83% ZrO₂, 0.035% HfO₂, 0.39% Nb₂O₅, 0.022% Ta₂O₅, 0.12% Y₂O₃, 0.74% REO (TYREO 0.86%)

Reverse circulation drilling of the Railway prospect in June 2012 has identified the potential for a significant resource expansion after extensive zirconium, niobium, yttrium and rare earth mineralisation was discovered. The Railway prospect is located four kilometres northwest of the main Toongi orebody, close to infrastructure planned for the DZP development.

Based on the outcrop surface area, the depth to the base of the trachyte and assuming near vertical sides, the exploration target for the Railway trachyte is 35 to 45 million tonnes using the specific gravity determined from measurements of the Toongi deposit, and at a grade that ranges from 0.85% to 0.99% ZrO₂, 0.21% to 0.23% HfO₂, 0.21% to 0.26% Nb₂O₅, 0.013% to 0.15% Ta₂O₅ and 0.43% to 0.48% TREO (Y₂O₃ + REO). The potential quantity and grade are conceptual in nature. There has been insufficient exploration of the Railway trachyte to define a Mineral Resource and it is uncertain that further exploration will result in the determination of a Mineral Resource.

ZIRCONIUM

Zirconium is a hard, grey-white metal with excellent corrosion resistance properties. Traditionally, it has been viewed as a valuable by-product of titania mineral sands operations. Zirconium materials may be classified into three broad categories: fused zirconia, zirconium chemicals and chemical zirconia. Zirconium metal is produced from either fused zirconia or zirconium chemicals.

WHAT IS ZIRCONIUM USED FOR?

CATALYSTS

Automotive, gasoline and diesel, industrial pollution, petroleum refining control and fuel cells.

WEAR

Engineering ceramics, thermal barrier coatings, milling media, bio-ceramic hips/teeth, automotive brake pads and fibre optic ferrules.

METAL

Nuclear fuel rods, industrial components and zircalloys - nuclear cladding.

GLASS

Polishing compounds, optical glass and cubic zirconia.

CERAMICS

Ceramic colours, enamels and opacifiers.

CHEMISTRY

Paper coatings/binders, metal treatments, antiperspirants, pigment coatings, printing inks, sorbents-carbon capture, water treatment, paint drying agents, waterproofing agents and flame retardants.

ELECTRONICS

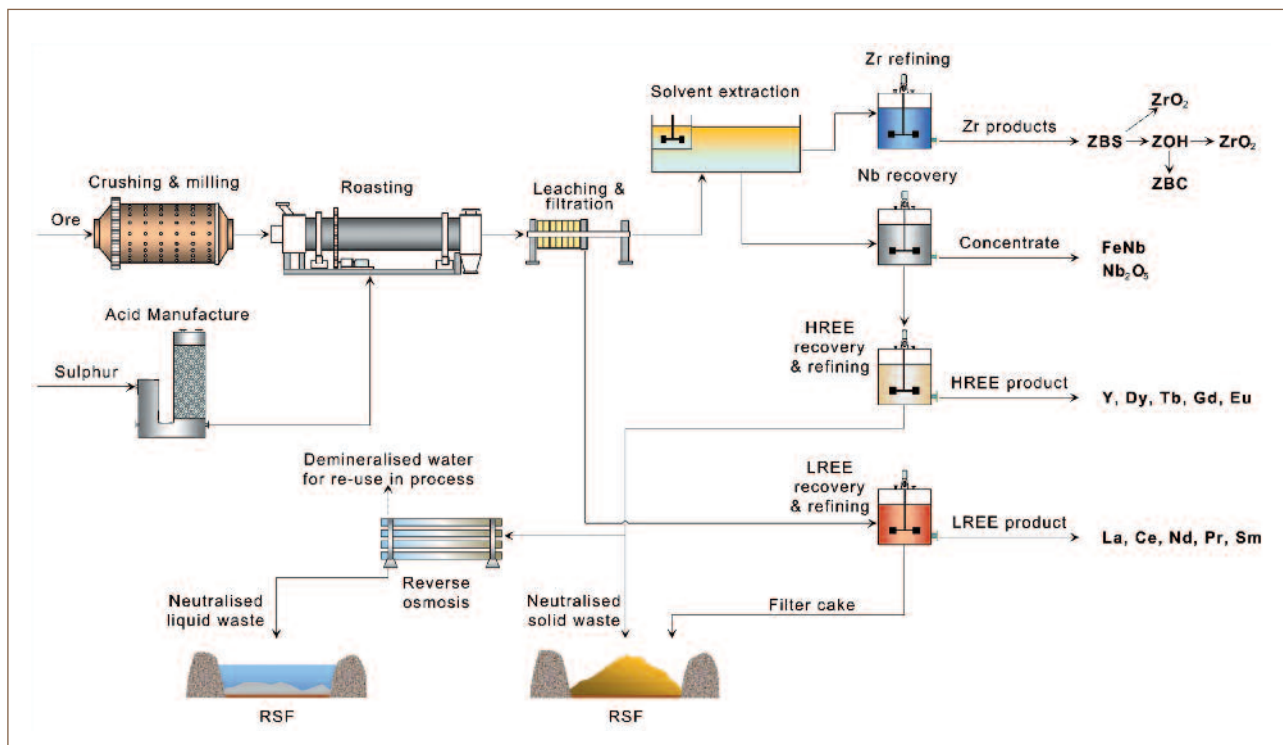
Dielectrics, piezoelectrics, multi-layer capacitors, oxygen sensors and sonar.

REFRACTORIES

Glass tank refractories, steel making refractories and flow-control nozzles.



REVIEW OF OPERATIONS



DZP FLOWSHEET FOR HIGH PURITY ZIRCONIUM, NIOBIUM AND RARE EARTH PRODUCTS

FLWSHEET

After extensive process development work from 1999 to 2003, Alkane has been working with the Australian Nuclear Science and Technology Organisation (ANSTO) since 2006 to optimise the process flowsheet (see above) for production of high purity zirconium, niobium and rare earth products.

In summary, the flowsheet is a selective sulphuric acid leach of the whole of ore feed (no pre-concentration), followed by solvent extraction separation of zirconium and then chemical precipitation of all of the saleable products.

A demonstration pilot plant (DPP) for the DZP has been operating at ANSTO Mineral's Lucas Heights facility since 2008 and has provided Alkane's existing and prospective investors proof of the project's technical viability. To date, the DPP has recovered several tonnes of products demonstrating the capability of the project's flowsheet and providing material for market assessment. Operation of the DPP has also informed the feasibility studies for capital and operating cost estimates, and enabled a detailed analysis of the mass balance throughout the flowsheet.

Extensive process optimisation continued throughout the year with a focus on improving the project's technical viability and economics. Recovery and quality of the heavy rare earth product and water recycling were priority activities. Both programs generated positive results and the use of reverse osmosis on the waste stream has seen returns of around 70% of the water back to the circuit. This has an important impact for the project footprint in handling liquid waste and associated capital costs.



Alkane and the Environment

Alkane is committed to taking care of the environment and to protecting the wide variety of species that live in our mining areas.

As an example, in 2012 the Company engaged Dr Arthur White, one of Australia's most respected herpetologists, to assist in developing an artificial habitat for the Pink-tail Worm-lizard (*Aprasia parapulchella*).

This lizard is listed as a vulnerable species under the *Threatened Species Conservation Act 1995* and the *Environmental Protection and Biodiversity Conservation Act 1999*, and is native to the New England area and around Bathurst. The detailed environmental studies in the area around the Dubbo Zirconia Project led to discovery of some isolated occurrences of the lizard.

These lizards spend much of their lives beneath rocks and fallen timber, eating ant larvae and eggs. Creating artificial habitats will allow for the safe relocation of lizards that are currently living within any planned disturbance area of the DZP operations. The man-made habitats will replicate key components of the lizard's lifestyle, and are made from cement roof tiles, which attract ants. The lizards follow the ants and burrow underneath the tiles, creating a warm and safe environment in which they can live and feed.

Dr White and his team engaged the Dubbo Field Naturalists and Conservation Society to assist with the project so that the biological knowledge of these vulnerable reptiles remains in the Dubbo community. Protecting vulnerable species during the mining process is crucial, but giving this knowledge to the local community means that the preservation of this unique and quirky species can continue long after the DZP is completed.



RARE EARTHS

Rare earths, or rare earth elements are a group of 17 elements in the periodic table. Of these, 15 are from the lathanide group of elements; the remaining two share similar chemical properties to the lathanide group. Rare earths are divided into heavy rare earth elements (HREEs) and light rare earth elements (LREEs), based on their location on the chemical periodic table. The HREEs are europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, and lutetium. Yttrium is included as a heavy HREE because of the similarity of its chemical makeup. The LREEs are lanthanum, cerium, praseodymium, promethium, neodymium and samarium. Scandium is included as an LREE.

WHAT ARE RARE EARTHS USED FOR?

CATALYSTS

Automotive catalytic converters, petroleum refinement, diesel additives and chemical processing.

ELECTRONICS

Display phosphors (CRT, PDP, LCD), medical imaging phosphors, lasers, fibre optics and optical temperature sensors.

CERAMICS

Capacitors, sensors, colourants, enamels and opacifiers.

GLASS

Optical glass, polishing compounds, thermal control mirrors, colourisers/decolourisers and cubic zirconia.

METAL ALLOYS

Hydrogen storage (NiMH batteries, fuel cells), super alloys, aluminium/magnesium and lighter flints.

MAGNETS

Electric motors, disk drives, power generation, actuators, microphones, speakers and magnetic resonance imaging (MRI).

OTHER

Fluorescent lighting, water treatment, pigments, medical tracers and coatings.



DEFINITIVE FEASIBILITY STUDY

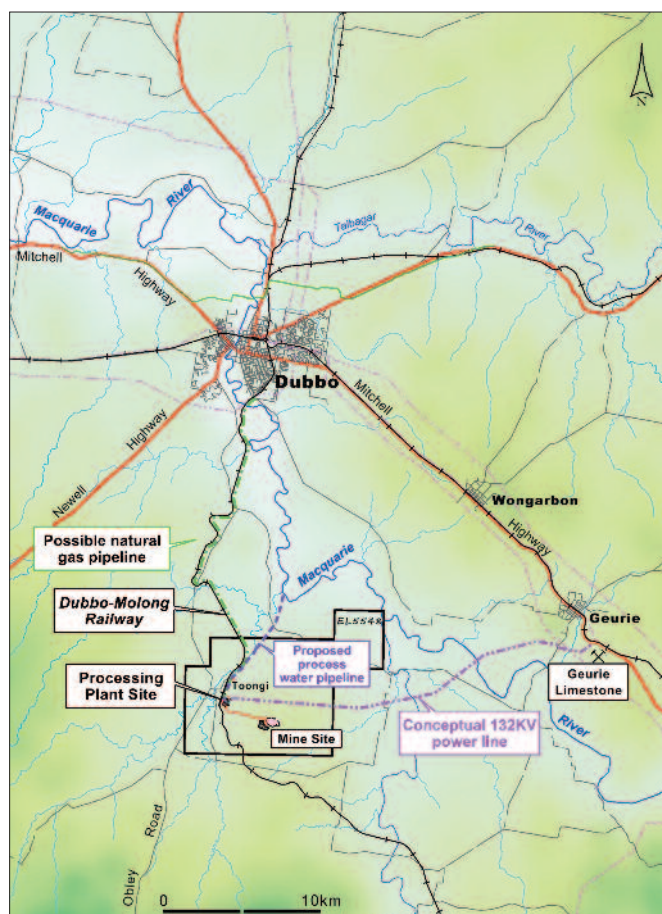
The Definitive Feasibility Study (DFS) on a 400,000 tonne per annum processing operation was managed by TZ Minerals International (TZMI) Pty Ltd and completed in September 2011 (see 2011 Annual Report). That study also included an assessment of a 1 million tonne per annum operation and the detail required to support the DFS was compiled throughout 2012. The preliminary financials demonstrated a very robust project and this model has been adopted as the base case for development.

Engineering studies throughout 2012 have considered the 1 million tonne per annum model, and the revised DFS results are anticipated in Q2 2013.

Anticipated Production at 1,000,000 Ore Processed Per Year

Product	Output	% World
ZBS, ZOH, ZBC, ZrO ₂ (+99% ZrO ₂ + HfO ₂)	15,700tpa	~10%
Nb - Ta concentrate / FeNb (70% Nb)	3,000tpa	~3%
LREE concentrate (REO)	3,500tpa	~2%
YHREE concentrate (REO)	1,100tpa	~4%
Totals	23,300tpa	

Tonnage based upon recoveries developed from mass balances of the demonstration pilot plant and have been rounded.



MARKETING

Rare Earths and Yttrium

The DZP enjoyed a number of successes as the Company edged closer to submission of the project approval and environmental impact documentation. Chief among these successes was the signing of a Memorandum of Understanding (MoU) with the Shin-Etsu Chemical Company in Japan. One of the largest non-Chinese rare earth companies in the world, Shin-Etsu have agreed to manage the treatment of 100% of the rare earth concentrates produced by the DZP through a tolling arrangement, resulting in a suite of high purity rare earth products. The MoU gives Shin-Etsu first right of refusal to purchase any or all of Alkane's rare earth products at commercial prices.

While rare earth prices continued to weaken throughout 2012 as a result of global economic downturn and consumer overstocking under pressure of escalating prices in the first half 2011, the market appears to be stabilising. The DZP feasibility studies have based pricing estimates on long term sustainable levels.

Zirconia and Zirconium Chemicals

Zirconia and zirconium chemical prices were impacted by the same market forces that affected rare earth prices in 2012, which prompted the Company to review the viability of zirconium oxychloride (ZOC) production as proposed in a 2011 MoU with a major international chemical company. At the end of 2012 it was agreed that the parties would continue their relationship, with the DZP supplying zirconium chemical products independent of zircon or baddeleyite for the development of higher value products. Concurrently, Alkane reactivated a program to produce chemical zirconia from zirconium basic sulphate (ZBS) and zirconium hydroxide (ZOH) that will be recovered from the DZP. The Company had already established that the DZP could produce a suite of zirconia (ZrO_2) at over 99% purity with variable grain size and morphology that would be suitable for a range of different applications.

As a separate project initiated by the Company, a zirconia development facility is being established at TMZI's wholly-owned AML laboratory in Osborne Park. The facility will establish manufacturing pathways and produce a number of zirconia powders and granules samples for customers to evaluate.

Alkane will continue its ongoing relationship with Mintech Chemical Industries Pty Ltd, based in East Rockingham WA. Alkane will provide ZOH, rather than ZOC, to meet Mintech's local demand, and will also continue the MoU with the European manufacturing and trading company to enter into a joint venture to market zirconium products in Europe, North America, and other defined markets.

YTTRIUM

Yttrium is a silvery-metallic element and highly crystalline. It shares similar chemical properties to the lanthanide group of elements, also known as the rare earth elements. Yttrium falls into the 'heavy' rare earth category alongside europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, and lutetium.

WHAT IS YTTRIUM USED FOR?

AUTOMOTIVE APPLIANCES

High performance spark plugs, oxygen sensors, exhaust systems, catalytic converters, piston rings, and corrosion-resistant coatings for cars.

ELECTRONICS

Fibre optics, superconductors, ceramics and specialty glass, camera lenses, and optical glass.

PHOSPHORS

Energy efficient lighting in compact fluorescent globes, LCD screens for TV and computers, and LED lights.

METALS

Magnesium and aluminium alloys; high-strength, low-alloy steels.



NIOBIUM

Niobium is a metal with superconductive properties that is used mostly in alloys and superalloys. It is usually sold as niobium pentoxide or ferroniobium; niobium metal is produced in small quantities.

WHAT IS NIOBIUM USED FOR?

ALLOYS

Turbine blades, jet engines (superalloys), seamless pipes (oil drilling), cutting tools, automotive steels, cylinder heads, piston rings, high-strength low-alloy steels, pipelines and bridges.

MAGNETS

Particle accelerators, maglev transport (trains) and magnetic resonance imaging (MRI).

GLASS

Camera lenses, TV glass and optical glass.

CAPACITORS

Electric motors and mobile electronics.

OTHER

Coinage and jewellery.



Niobium

The niobium market remained stable over the last 12 months, with demand and price staying within a defined range set by the major Brazilian supplier, CBMM.

In 2011, Alkane Resources signed an MOU with a European company, committing 100% of the niobium produced at the DZP to the joint venture. Alkane continued working with this European metal alloy manufacturer partner to develop a market acceptable ferro-niobium (FeNb) product and expects to convert the MoU to an off-take/joint venture agreement in early 2013.

Tantalum

Tantalum is not currently considered in the DZP output, but the deposit does contain substantial concentrations. Preliminary testing for tantalum recovery was undertaken in 2012 and provided promising results; this data will need to be replicated at a much larger scale if tantalum is to be considered for commercial development. Achieving a 30% tantalum recovery would put the DZP on track to produce 100 tpa of Ta₂O₅ product.

ENVIRONMENTAL IMPACT STATEMENT

A number of detailed and specialist socio-environmental studies have been completed under the management of the principal consultants, R W Corkery & Co. These are being compiled into the Environmental Impact Statement (EIS) which is expected to be lodged in March/April 2013.

In parallel with the environmental studies, process development work proceeded with the dual aims of reducing water consumption and the volume of the liquid waste stream.

INFRASTRUCTURE

During the year, two farming properties within the DZP site were acquired and several other properties signed up under option arrangements. If all options are exercised, the Company will have 3,500 hectares of land to site the project and associated infrastructure.

A program to obtain adequate and secure water supply commenced during the year and a number of existing supply licences were acquired.

Detailed studies on site access using the existing road network and reactivation of the Dubbo to Toongii railway are well advanced.

FINANCING

In October 2012, Alkane announced that the Company had engaged Credit Suisse (Australia) Limited, Sumitomo Mitsui Banking Corporation and Petra Capital Pty Limited to provide investment banking services, including the arrangement of project financing to fund the development of the DZP. Securing the finance package of around A\$1 billion is expected to take up to 12 months and to coincide with final project approvals, allowing the construction program for the DZP to commence in Q4 2013/Q1 2014.

Alkane and the Community

Strong engagement with local communities remains key to the success of Alkane's operations. In 2012, the Alkane team continued to build community relationships in Dubbo by inviting a group of local training providers, council members and education experts to visit the Alkane Demonstration Pilot Plant at the Australian Nuclear Science and Technology Organisation (ANSTO) at Lucas Heights, just outside Sydney.

The plant tour was attended by delegates from organisations including Dubbo City Council, Orana Education and Training Co-operative, Access Group Training and TAFE NSW. It provided attendees with the chance to see how the DPP functions, and, on a larger scale, how the full-scale mineral processing facility that will be attached to the DZP will operate.

The visit facilitated a series of discussions with education and training providers around the sorts of skills and knowledge that will be required at the DZP, as part of Alkane's ongoing commitment to sourcing workforce talent from Dubbo and the surrounding areas. The DZP will provide long-term employment in this major regional centre, creating some 230 jobs that will be ongoing over the project's lifespan of 70+ years.



REVIEW OF OPERATIONS



TOMINGLEY GOLD PROJECT

OVERVIEW

The Tomingley Gold Project (TGP) is a medium-sized gold resource in the Central West of NSW and is based on three deposits: Wyoming One, Wyoming Three and Caloma. The mine has a base case predicted lifespan of seven years, with a target of 10 – 12 years through additional exploration and resource definition. An estimated 380,000 ounces will be recovered at the TGP over the Project's seven-year life, averaging approximately 55,000 ounces per annum. The gold ore will be processed through a standard carbon in leach processing plant.

In August 2012, Alkane announced that they had been granted state approval from the NSW Department of Planning and Infrastructure for the TGP. This was followed by the Environmental Protection Licence for construction in October 2012 and notification in February 2013 of grant of the Mining Lease.

DEVELOPMENT

Capital and operating costs for the Project were updated in September 2012, leading to the revised capital estimate of A\$116 million, including contingencies. At the end of Q4, A\$12.10 million had been expended on development and capital costs, including A\$3.53 million for EPCM (Engineering Procurement Construct Manage) expenditure. This pre-development expenditure covered several long lead items, such as the ball mill, and site water supply. At the end of December, 95% of the detailed plant design had been completed by the EPCM contractor, Mintrex Pty Ltd.

Total construction time has been estimated at 11 months from commencement of site works. Plant commissioning is anticipated before the end of 2013.

To incorporate the increased operating costs, the three deposits at Wyoming One, Wyoming Three and Caloma were re-optimised at a A\$1,600 per ounce gold price. The pits were redesigned and production rescheduled based upon the in-pit Measured, Indicated and Inferred Resources. The Ore Reserves are currently being revised. The reschedule was particularly useful in smoothing gold production, but also in providing 70,000 ounce per annum output in the first two years to accelerate capital returns. Estimates of the cash costs* of production were revised to A\$980 per ounce over the life of mine.

* Cash costs: All site operating and administration costs, but excluding state royalties, income tax, financing, capital and head office administration, averaged over the base case seven-year operation.

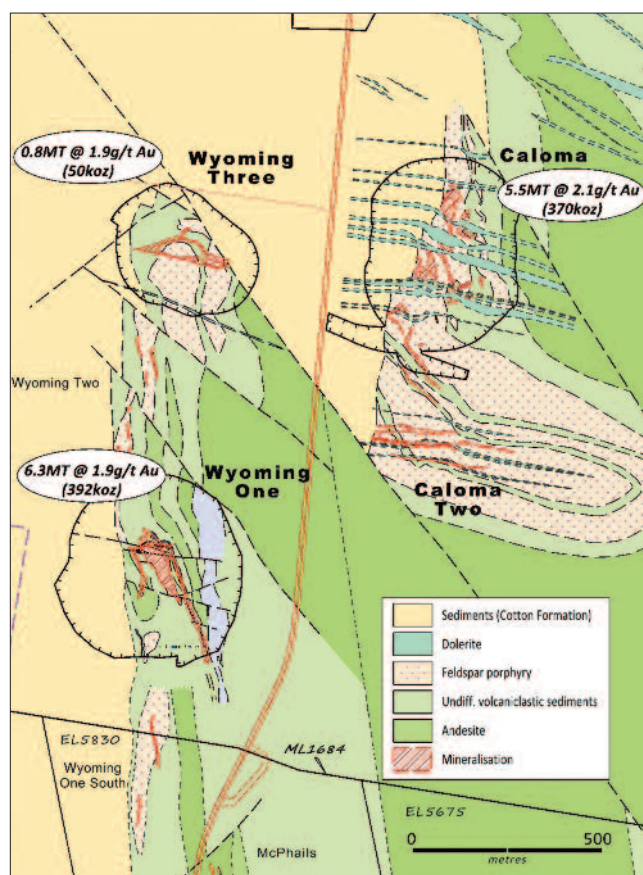
RESOURCE EXPANSION

Drilling activities at Caloma late in 2011 saw the TGP resource size increase to an estimated 812,000 ounces. The results of this drilling were incorporated into the revised mine design and schedule, and with recognition of potential for additional underground ore.

A second RC drilling program commenced in September to define resources for the Caloma Two deposit, located 200 metres south of the Caloma deposit. Drilling results available from Caloma Two have returned many substantial intercepts including:

PE873 1 metre grading 821g/t gold from 196 metres, within 9 metres grading 110g/t gold from 194 metres

Additional RC and core drilling is in progress to complete the detailed drilling of the target zone to enable resource estimation and incorporation into the development schedule. This drilling is scheduled for completion in Q1 of 2013, with a resource estimate due in Q2 2013.



REVIEW OF OPERATIONS

IDENTIFIED MINERAL RESOURCES

Tomingley Gold Project – Mineral Resources (2012)

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		
Top Cut 2.5x2.5x5.0m model	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Gold (koz)
Wyoming One	2,316,550	2.2	890,340	2.2	3,117,350	1.7	6,324,240	1.9	392.4
Wyoming Three	642,470	2.0	63,225	2.0	102,820	1.3	808,510	1.9	49.9
Caloma	2,690,530	2.3	567,860	2.1	2,194,490	1.9	5,452,870	2.1	369.4
Total	5,649,550	2.2	1,521,420	2.1	5,414,660	1.8	12,585,630	2.0	811.7

These Mineral Resources are based upon information compiled by Mr Richard Lewis FAusIMM (Lewis Mineral Resource Consulting Pty Ltd) who is a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Richard Lewis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology are given in the ASX Report dated 25 March 2009, 2 October 2010 and 29 March 2012.

Tomingley Gold Project – Ore Reserves (2011)

DEPOSIT	PROVED		PROBABLE		TOTAL		Gold
	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Ounces (minable)
Wyoming One	1,700,000	1.6	200,000	1.3	1,900,000	1.6	94,500
Wyoming Three	500,000	1.6	0	0.0	500,000	1.6	28,100
Caloma	1,100,000	2.3	100,000	1.7	1,200,000	2.2	86,500
Total	3,300,000	1.8	300,000	1.5	3,600,000	1.8	209,100

These Ore Reserves are based upon information compiled under the guidance of Mr Dean Basile MAusIMM (Mining One Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The Reserves and Resources are estimated at an effective A\$1,540 per ounce gold price. Dean Basile consents to the inclusion in the report of the matters based on the information in the form and context in which it appears. The Caloma reserves are based on the 2009 resources, not the updated resources.

PROJECT FINANCES

In March-April 2012, Alkane raised approximately A\$107 million to assist the funding of the TGP, to adequately fund the DZP EIS and feasibility program, and to provide additional funding for corporate costs. The Company also continued its discussions with Credit Suisse to provide a financing facility comprising a Project Loan Facility of up to A\$45 million and a gold hedging facility of up to 163,000 ounces.





REVIEW OF OPERATIONS



REVIEW OF OPERATIONS

PEAK HILL GOLD MINE

OVERVIEW

The Peak Hill sulphide gold-copper orebody is located below the oxide mine area (1996 – 2005) and its potential for development is subject to ongoing review. In 2012, a deep core hole drilled to test for a porphyry source below the epithermal high sulphidation body did not reach target depth, but mineralisation of six metres grading 5.52 g/t gold was observed from 286 metres below the Great Eastern Pit. Due to the resource's proximity to homes and infrastructure in the town of Peak Hill, any future mine development will be underground.

IDENTIFIED MINERAL RESOURCES

Peak Hill Gold Mine – Mineral Resources (2004)

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		
0.5g/t gold cut off	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Gold
	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(koz)
Proprietary			9,440,000	1.35	1,830,000	0.98	11,270,000	1.29	467.4

3.0g/t gold cut off	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Gold
	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(koz)
Proprietary					810,000	4.40	810,000	4.40	114.6

These Mineral Resources are based upon information compiled by Mr Terry Ransted MAusIMM (Principal, Multi Metal Consultants Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Terry Ransted consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology were given in the 2004 Annual Report.

This resource will be subject to review in 2013 to comply with revised JORC parameters.

OTHER EXPLORATION

WELLINGTON

The Wellington Project hosts the Galwadgere deposit, a small copper-gold resource with volcanogenic massive sulphide-type characteristics. The Galwadgere resource was drilled out in 2005 and an economic scoping study was run to gauge the value of further developing the project. Additional resources are required to make the project financially viable; Alkane will continue to explore for more resources over the next few years.

IDENTIFIED MINERAL RESOURCES

Wellington – Galwadgere – Mineral Resources (2005)

DEPOSIT	MEASURED		INDICATED		
0.5% Cu cut off	Tonnage	Grade	Grade	Tonnage	Grade
	(t)	(% Cu)	(Au g/t)	(t)	(Au g/t)
Galwadgere	-	-	-	2,090,000	0.99

These Mineral Resources are based upon information compiled by Mr Terry Ransted MAusIMM (Principal, Multi Metal Consultants Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Terry Ransted consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology were given in the 2005 Annual Report.

This resource will be subject to review in 2013 to comply with revised JORC parameters.



BODANGORA

The Bodangora Project is located 15 kilometres north-east of Wellington, and about 25 kilometres north of Alkane's Wellington (Galwagere) project. The tenement includes part of the northern end of the Ordovician-aged Molong Volcanic Belt (MVB) before being covered by younger sediments of the Great Australian Basin.

Reconnaissance RC and core drilling programs in the last two years at Bodangora's Glen Hollow prospect confirmed the existence of several key geological features associated with a porphyry copper-gold system. The focus of this work is the Comobella Intrusive Complex, 12km² of monzonite intrusives with alteration, hydrothermal breccias and skarns with variable copper and gold mineralisation.

CUDAL

Cudal is located 30km west of the Cadia Valley Operations of Newcrest Mining Ltd. Limited RC drilling was completed at the Bowen Park One prospect in late 2010 and results identified gold and zinc mineralisation within carbonate rich andesitic volcanics. This interesting style of mineralisation will be tested further in 2013.

CALULA

Alkane reached agreement with Comet Resources Ltd to acquire an immediate 80% interest in Exploration Licence 7971, which covers approximately 53km² adjacent to Alkane's existing EL 7235 and EL 7383. Alkane will carry all expenditures to the completion of a bankable feasibility study and decision to mine on any resources defined within EL 7971. Comet can then elect to contribute at 20% or dilute according to a standard industry formula.

Alkane believes that the project is very prospective for several target styles. Given Alkane's involvement in the discovery of the McPhillamys deposit, which is located 30km to the south in a similar geological setting, the Company is particularly well placed to assess the area's potential for McPhillamys-style gold mineralisation.

ORANGE DISTRICT EXPLORATION JOINT VENTURE

The Orange District Exploration Joint Venture (ODEJV) encompasses the Molong and Moorilda tenements near the city of Orange in NSW. The principal asset of the ODEJV is the 2.96 million ounce McPhillamys gold resource within the Moorilda tenements. Until recently, the ODEJV was jointly owned by Newmont Australia (51%) and Alkane Resources (49%). Alkane held its interest in the ODEJV through a wholly owned subsidiary LFB Resources (LFB).

In 2012, Newmont and Alkane made the decision to sell the ODEJV to Regis Resources Ltd. Regis acquired the tenements, mining information, all fixtures, machinery, equipment and other property and rights relating to the joint venture through the issue of A\$150 million in Regis shares at the time of the transaction. Alkane received 17.5 million Regis shares for the sale of LFB.

GOLD

Gold is a soft, unreactive metal with excellent electricity conduction and reflective properties. It is extremely ductile, malleable and corrosion resistant, and can be easily alloyed with other metals.

WHAT IS GOLD USED FOR?

Jewellery and coinage.

ELECTRONICS

Plating, connectors, switch and relay contacts, soldered joints, circuitry and memory chips.

ELECTRONIC DEVICES

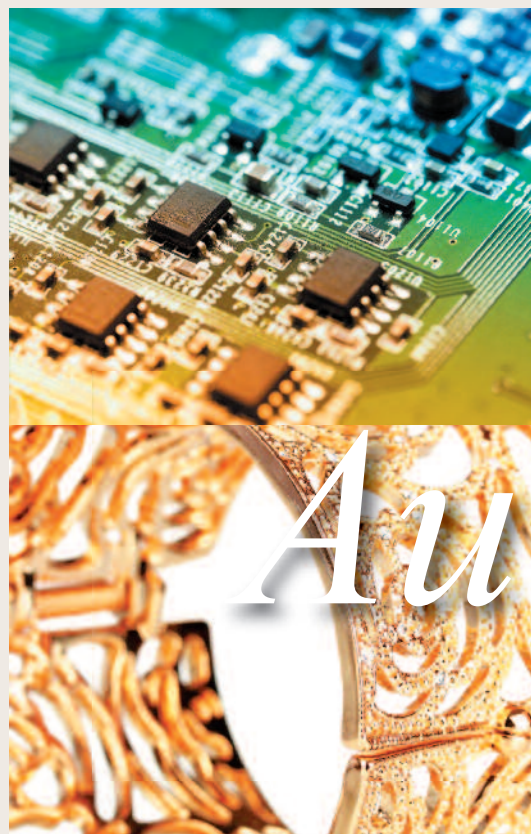
Mobile phones, calculators, GPS units and computers.

MEDICAL

Diagnostic techniques, dentistry (crowns, bridges, fillings), medical treatments, lasers, implants and supplements.

GLASS

Pigmentation and climate control windows.



REVIEW OF OPERATIONS

ENVIRONMENT AND OCCUPATIONAL HEALTH AND SAFETY REVIEW

Alkane is committed to compliance with all laws and regulations in relation to the environment and occupational health and safety. The Company continues to strive to improve its standards in parallel with industry-leading practice for both the Peak Hill Gold Mine decommissioning and closure, and for ongoing exploration and mine development.

Alkane's employees are motivated by the Company's reputation for integrity and responsible behaviour, and this reputation also builds trust within the communities in which we operate.

RISK POLICY AND FRAMEWORK REVIEW

Alkane undertook a review of its risk management policy and framework during 2012 with external specialist consultants engaged to facilitate risk assessment workshops for Alkane directors and staff. An operational risk management co-ordinator was appointed with the responsibility of keeping the policy and framework updated subject to formal approval of policy amendments by the Board.

The Company is committed to actively managing risks to its operations. Alkane brought an experienced commercial manager into the team during 2011 and appointed a full-time chief financial officer in 2012. Risk reviews will continue as development activities at the TGP proceed.

OCCUPATIONAL HEALTH AND SAFETY

A full-time site supervisor continues to maintain the Peak Hill Gold Mine during decommissioning. The facilities at the mine site provide support for exploration activities on the TGP 15 kilometres to the north of Peak Hill. Alkane also maintains exploration offices in Dubbo and Orange to service the Company's tenements in Central West NSW. Exploration staff have shifted much of their attention to the TGP, Cudal and Wellington district tenements.

Over the past 12 months, the Company has engaged numerous specialist consultants to work on input to the DZP's EIS.

An OH&S training manager joined the TGP management team in March 2013 and will establish the site's safety management systems.

Construction of the TGP is bound by Mintrex's Construction Safety Management Plan.

There were no Lost Time Injuries (LTIs) in any of Alkane's activities during 2012.

There were no environmental incidents on the Company's leases during 2012. However, there was an incident where property damage (to fencing) occurred during vegetation clearing for the TGP water supply pipeline. The damage was rapidly repaired and an apology provided to affected parties.

OH&S RESULTS 2010-2012

	2010			2011			2012		
	Man Hrs	LTIs	Minor Injuries	Man Hrs	LTIs	Minor Injuries	Man Hrs	LTIs	Minor Injuries
Alkane	14,649	0	0	14,427	0	0	16,885	0	0
Contractors	6,389	0	0	5,805	0	0	9,852	0	1
Visitors	0	0	0	0	0	0	0	0	0
Total	21,038	0	0	20,232	0	0	26,737	0	1





REVIEW OF OPERATIONS





REVIEW OF OPERATIONS



ENVIRONMENT AND COMMUNITY

There are currently 22 approvals and licences in place for mining and processing operations, access to water and pipeline routes. There were no breaches of environmental requirements either at the mine site or on the group's exploration tenements in 2012.

Alkane has updated the Company's website and has added a portal for Tomingley Gold Operations. The portal links to project consent conditions, numerous management plans that provide strategies for minimising environmental impacts, and plans for rehabilitation and biodiversity enhancement on the Tomingley leases and beyond.

A Tomingley Gold Mine Community Consultative Committee (CCC) will be established. This CCC will provide opportunity for the Tomingley community to intimately understand how the new gold mine operates and the Company's plans for the future.

During 2012, the Company was compliant with all consent conditions and approvals. An Annual Environmental Management Report Meeting was held on site at Peak Hill on 19 July 2012 with a representative from NSW Trade and Investment. All of the Peak Hill Gold Mine leases were considered substantially rehabilitated and no further joint agency meetings will be required unless a special request is made.

The rehabilitated final landforms across the Peak Hill mine site are becoming increasingly species-rich. Several bird and mammal species, absent prior to mining (1996-2002), have been re-established as a result of Alkane's revitalisation of the area.

After the closure of the Peak Hill Gold Mine, operation of the Open Cut Experience, a tourist attraction that provides the public with insights into the history and practice of mining in the Peak Hill area, was transferred to Parkes Shire Council in 2007. This tourism asset continues to generate economic activity in the local area, post mine closure. Alkane staff worked with Peak Hill Business & Tourism Association, Parkes Council and Peak Hill Local Aboriginal Land Council to establish toilet facilities close to the visitor car park and the tourist mine. The Peak Hill Gold Mine, essentially on care and maintenance, is still a minor contributor to the local economy and community. In 2012, the Peak Hill Wiradjuri Working Group and Peak Hill Business and Tourism Association received Alkane's in-kind support for a series of projects that will see further development of the tourist potential of the Open Cut Experience.

In Narromine Shire, Alkane supported the Narromine Agricultural Show Society and Tomingley and Mungery Picnic Race Clubs.

In Parkes Shire, Alkane supported the P A & H Association, Peak Hill Men's Shed, Peak Hill FM (community radio station), St Joseph's Primary School (classroom resources), and the Bogan River Aboriginal Corporation (youth empowerment program).

In the Dubbo LGA, Alkane supported Wambangalang Environmental Education Centre (renewable energy trailer), Rotary Club of Dubbo-Western Plains Science & Engineering Challenge, Australian Rural Leadership Foundation (Course 18), and Can Assist (towards accommodation in Orange for local people affected by cancer).

In the Wellington Shire, Alkane sponsored St Columbus Primary School (recycling program).

There were two formal complaints received by the Company in 2012 relating to property damage during construction of the water supply pipeline to the Tomingley site.



ALKANE COMMUNITY EVENTS

Alkane is committed to developing strong relationships with the communities in which it operates. To do this successfully, the Company ensures that community members can engage with Alkane representatives from the inception of its projects through to completion.

In 2012, the Company facilitated a range of community events, including:

- a planning focus meeting convened by Department of Planning & Infrastructure at Toongi in April which provided an opportunity for a range of government agencies and public authorities to be briefed on the DZP and to inspect the project site. The meeting was attended by representatives from the Department of Premier and Cabinet, Dubbo City Council, the Office of Environment and Heritage (Environment Protection Authority, National Parks & Wildlife Service), the Division of Resources & Energy, the Department of Primary Industries (Fisheries, Agriculture, Catchments & Lands), NSW Roads and Maritime Services, Essential Energy, Country Rail Infrastructure Authority and the NSW Office of Water.
- a 'listening session' at the Toongi Hall, hosted by Australian Zirconia Limited, to address the potential community impacts of the proposed DZP
- a community forum hosted in Dubbo by Australian Zirconia Limited. This forum created a space for discussion around the proposed reactivation of the railway line between Wingewarra Street and Toongi. An increase in traffic levels on the Obley road was also discussed.
- numerous presentations from Alkane's General Manager NSW to community groups in Dubbo and Geurie.
- a tour of the DZP DPP for trainers and teachers from the Dubbo region (see page 13 for more information).

Alkane also undertook a range of specialist environmental studies for the DZP. The specialist consultants reports will inform the project's EIS, and will describe the existing environment and the measures that are proposed to mitigate impacts on community and environment.





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 2012.

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 J Gandel
- A D Lethlean

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the mining of 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 profit of the Group for the financial year after income tax was \$66,534,486 (2011: loss \$2,786,970).

DIVIDENDS

No dividends have been paid by the Group during the financial year ended 31 December 2012, nor have the directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

The Company continues to be actively involved in mineral exploration and development, focussing on its core projects at Tomingley and Dubbo in New South Wales.

TOMINGLEY GOLD PROJECT (TGP)

The TGP is based on three defined gold resources, Wyoming One, Wyoming Three and Caloma, located 14 kilometres north of the Group's Peak Hill Gold Mine, and approximately 50 kilometres south west of Dubbo. The gold ore will be processed through a standard carbon-in-leach processing plant. The mine has a base case predicted lifespan of seven years, with a target of 10 – 12 years through additional exploration and resource definition. An estimated 380,000 ounces will be recovered at the TGP over the project's seven-year life, averaging approximately 55,000 ounces per annum.

During the year the Group received project approval from the NSW Department of Planning and Infrastructure and the Environmental Protection Licence for construction was approved by the EPA. Grant of the Mining Lease by the NSW Department of Trade and Investment, Division of Resources and Energy was advised on 11 February 2013 and site construction work has commenced.

Capital and operating costs for the Project were updated in September 2012 leading to the revised capital estimate of \$116.0 million, including contingencies. At the end of the December Quarter \$12.1 million had been expended on development and capital costs, including \$3.5 million for EPCM expenditure. The acquisition of several long lead items such as the Ball Mill and site water supply had been initiated in 2011 and 2012 and at the end of December 2012, 95% of the detailed plant design had been completed by the EPCM contractor.

The three deposits at Wyoming One, Wyoming Three and Caloma have been re-optimised, the pits redesigned and production rescheduled based upon the in-pit Measured, Indicated and Inferred Resources. The Ore Reserves are currently being revised. This reschedule was particularly useful in smoothing gold production but also in providing 70,000 ounce per annum output in the first two years to accelerate capital returns.

The Group is advancing a project financing facility with Credit Suisse. The mandate comprised a Project Loan Facility of up to \$45.0 million and a Gold Hedging Facility of up to 163,000 ounces. In 2011 the Group entered into an initial 90,000 ounce gold forward sale that will underwrite a minimum price of approximately A\$1,600 per ounce for the first two-and-a-half years of production from the Project.

During the year, further exploration and evaluation programs were conducted to upgrade the project's resource and reserve inventories and to determine the potential for additional resources within the project site. An RC drilling program commenced in October to define resources within the Caloma Two deposit, which is located immediately to the south of the planned Caloma open pit.

DUBBO ZIRCONIA PROJECT (DZP)

The DZP is located in the Central West Region of New South Wales, 30 kilometres south of the city of Dubbo. The project is based upon a large in-ground resource of the metals zirconium, hafnium, niobium, tantalum, yttrium, and rare earth elements. Over several years the Group has developed a flow sheet consisting of sulphuric acid leach followed by solvent extraction recovery and refining to generate a suite of saleable products. Operation of the demonstration pilot plant (DPP) at ANSTO continued with the focus on improving heavy rare earth (HREE) recoveries and water recycling.

The DZP has been classified by the NSW Department of Planning and Infrastructure as a State Significant Project. Much of the base line work for the Environmental Impact Statement (EIS) has been completed and is in the process of being compiled into the study document to be submitted for approvals.

The Definitive Feasibility Study (DFS) has been updated with capital and operating costs for the 1Mtpa operation and is scheduled for completion in the second quarter of 2013.

Programs for acquisition of land to cater for all site infrastructure (including residue storage facilities) and water licences are well advanced. A site access study is also well advanced for incorporation in the EIS and DFS and options for power and essential bulk supplies are being considered.

A Memorandum of Understanding (MoU) was signed with the large Japanese chemical company, Shin-Etsu Chemical Co, to progress a joint venture involving toll treatment of the DZP's light and heavy rare earth concentrates at a Shin-Etsu rare earth separation plant. Following production of the suite of separated rare earths, Shin-Etsu would have a first right to purchase any of the rare earths. Alkane would be able to sell the remaining rare earths to third parties.

The other existing MoUs for zirconium and niobium products are progressing, but at the year's end the MoU with a large chemical company to produce zirconium oxychloride was allowed to lapse in favour of a general agreement to work together to produce high purity zirconia for other market applications.

ORANGE DISTRICT EXPLORATION JOINT VENTURE (ODEJV)

During the year the Group disposed of its wholly owned subsidiary LFB Resources NL and its interest in the ODEJV to Regis Resources Limited (Regis) for consideration of 17.5 million Regis shares with a market value of \$94.7M on completion date (16 November 2012).

OTHER EXPLORATION PROJECTS

The Group has continued exploration and evaluation activities on its other New South Wales projects. In particular reconnaissance and follow up drilling programs have been conducted at the Glen Hollow target within the Comabella Intrusive Complex at Bodangora.

Project review and target evaluations have continued at Wellington, Cudal, Calula and Peak Hill. The Diamond Creek project has been evaluated and relinquished.

CORPORATE

In March 2012, a three stage capital raising was initiated to raise nearly \$107 million for the construction and commissioning of the Tomingley Gold Project, preparation of an Environmental Impact Statement and continuing development of the Dubbo Zirconia Project, working capital for general purposes, and the costs of the capital raising. This was completed successfully following shareholder approval for the third stage of the raising which was a placement conditional on that approval.

Also during the year the Group reached agreement with Compass Resources Ltd (Compass) to buy back the production royalty for any minerals and metals recovered from Exploration Licence 5675 at the Tomingley Gold Project. In consideration for Compass surrendering all of its right, title and interest in that royalty, Compass was issued with 6 million shares and 4 million options (exercisable at \$1.50 each within 12 months of the date of the agreement).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period, the Group sold its interest in subsidiary LFB Resources NL in exchange for 17,500,000 shares in Regis Resources Limited. At the date of the transaction the fair value of the shares was \$94,675,000 resulting in a profit on sale of \$93,061,000.

During the year, 103,510,842 shares were issued raising \$106,923,676. Refer to Note 10 for details.

The state of affairs of the Group were not affected by any other significant changes during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

In February 2013, the Group was advised by the NSW Department of Trade and Investment, Division of Resources and Energy that the Mining Lease for the Tomingley Gold Project was approved.

No other matter or circumstance has arisen since 31 December 2012 that has, or may, significantly affect the operations, results, or state of affairs of the Group in the financial year subsequent to the financial year ended 31 December 2012.

LIKELY DEVELOPMENTS

The Group 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.

Refer to the Review of Operations for further detail on planned developments.

ENVIRONMENTAL REGULATION

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

MINING AND CONSTRUCTION ACTIVITIES

During the year, there were no breaches of the requirements relating to certain environmental restrictions at the Group's mine site at Peak Hill or the construction site at the Tomingley gold project. Management is working with the NSW Department of Primary Industries and the Office of Environment and Heritage to ensure compliance with all licence conditions. The Group employs a full time environmental manager.

EXPLORATION ACTIVITIES

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

GENERAL

The Group 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 is a consultant mining engineer with over 40 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, MICA the Mineral Consultants Society.

Mr Dunlop is non-executive chairman of Alliance Resources Limited (appointed 30 November 1994) and a non-executive director of Copper Strike Limited (appointed 9 November 2009). During the last three years he was also a non-executive director of Drummond Gold Limited (1 August 2008 – 15 July 2010) and a director of Gippsland Limited (1 July 2005 – 12 July 2012).

Mr Dunlop is a member of the Audit Committee and chairman of the Remuneration and Nomination 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 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 40 years, during which time he has had experience in all facets of exploration and mining through feasibility and development to the production phase.

Mr Chalmers is a member of the Nomination Committee.

Ian Jeffrey Gandel (Non-Executive Director)

LLB, BEc, FCPA, FAICD

Appointed director 24 July 2006

Mr Gandel 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 New South Wales. Mr Gandel is also a non-executive director of Alliance Resources Limited (appointed 15 October 2003), non-executive chairman of Gippsland Limited (appointed 24 June 2009) and non-executive chairman of Octagonal Resources Limited (appointed 10 November 2010).

Mr Gandel is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

D I R E C T O R S ' R E P O R T

Anthony Dean Lethlean (Non-Executive Director)

BAppSc (geology)

Appointed director 30 May 2002

Mr Lethlean is a geologist with over 10 years mining experience including four years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers and is currently a director of Helmsec Global Capital Limited (Mr Lethlean is a substantial shareholder in Helmsec Global Capital Limited). Mr Lethlean is a non-executive director of Alliance Resources Limited (appointed 15 October 2003).

Mr Lethlean is chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

JOINT COMPANY SECRETARIES

Lindsay Arthur Colless

CA, JP (NSW), FAICD

Mr Colless is a member of the Institute of Chartered Accountants in Australia with over 15 years experience in the profession and a further 35 years experience in commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director.

Karen E V Brown

BEC (hons)

Miss Brown 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 of some 26 years, primarily in the mineral exploration industry. She is company secretary of a number of publicly listed companies including Northern Star Resources Limited, Excelsior Gold Limited and General Mining Corporation Limited.

DIRECTORS' MEETINGS

The following sets out the number of meetings of the Company's directors (including meetings of Board committees) held during the year ended 31 December 2012 and the number of meetings attended by each director.

DIRECTOR	BOARD OF DIRECTORS		AUDIT		COMMITTEE MEETINGS NOMINATION		REMUNERATION	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
J S F Dunlop	11	8	2	2	2	2	4	4
D I Chalmers	11	11	n/a	n/a	2	2	n/a	n/a
A D Lethlean	11	11	2	2	2	2	4	4
I J Gandel	11	10	2	1	2	2	4	3

It is a policy of the Board that when an individual Director is unable to attend a formal Board meeting, the Director receives copies of all relevant Board papers and all matters covered by that meeting are discussed with him separately and his opinions canvassed.

SHARE OPTIONS

There were 4,000,000 options over unissued ordinary shares of Alkane Resources Limited at the date of this report.

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 the remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

The 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 Group'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 and alignment of executive compensation
- Transparency
- Capital management

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

The Remuneration Committee comprises of a minimum of three members and shall be chaired by an independent Director. Currently the Committee comprises Mr Dunlop, Mr Lethlean and Mr Gandel.

The function of the Committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations to the Board on remuneration packages of Directors and senior executives, and employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

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' fees

Directors' fees are determined within an aggregate directors' fee pool limit (currently \$450,000 per annum), which is periodically recommended for approval by shareholders. This amount is separate from any specific consulting tasks the directors may take on for the Group.

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

Other than the Managing Director and Chief Financial Officer there are no other executive officers or senior managers of the Company or Group.

B. DETAILS OF REMUNERATION (AUDITED)

	CONSOLIDATED		PARENT ENTITY	
	2012	2011	2012	2011
	\$	\$	\$	\$
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	651,400	821,107	651,400	720,884

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 - Joint Company Secretary
- K E Brown - Joint Company Secretary
- M Ball - Chief Financial Officer (commenced 29 October 2012)

D I R E C T O R S ' R E P O R T

Key Management Personnel and Other Executives of the Company

2012 NAME	SHORT-TERM BENEFITS CASH SALARY AND FEES \$	POST-EMPLOYMENT BENEFITS SUPERANNUATION \$	SHARE-BASED PAYMENT \$	TOTAL \$
Executive Director of Alkane Resources Ltd				
D I Chalmers	360,000	32,400	-	392,400
Non-Executive Directors of Alkane Resources Ltd				
J S F Dunlop	99,905	6,595	-	106,500
I J Gandel	75,000	-	-	75,000
A D Lethlean	77,500	-	-	77,500
Sub-Total Directors	612,405	38,995	-	651,400
Key Management Personnel of Alkane Resources Ltd				
L A Colless and K E Brown ^a	276,704	-	48,300	325,004
M Ball	44,557	4,010	-	48,567
Total Key Management Personnel Compensation	933,666	43,005	48,300	1,024,971

^a 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.

2011 NAME	SHORT-TERM BENEFITS CASH SALARY AND FEES \$	POST-EMPLOYMENT BENEFITS SUPERANNUATION \$	SHARE-BASED PAYMENT \$	TOTAL \$
Executive Directors of Alkane Resources Ltd				
D I Chalmers ^a	521,907	16,200	-	538,107
Non-Executive Directors of Alkane Resources Ltd				
J S F Dunlop	110,100	-	-	110,100
I J Gandel	95,400	-	-	95,400
A D Lethlean	77,500	-	-	77,500
Sub-Total Directors	804,907	16,200	-	821,107
Other Key Management Personnel of Alkane Resources Ltd				
L A Colless and K E Brown ^b	182,433	-	-	182,433
Total Key Management Personnel Compensation	987,340	16,200	-	1,003,540

^a \$222,900 relates to salary and 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 Group on an as needs basis.

^b 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.



DIRECTORS' REPORT

C. SERVICE AGREEMENTS (AUDITED)

An engagement contract with the Managing Director and formal written consultancy agreements with companies of which key management personnel have a substantial financial interest are in existence and are detailed below.

D I CHALMERS

Term of agreement – 2 years commencing 1 July 2012

Agreement

Engagement as Managing Director at a salary of \$360,000 per annum plus 9% statutory superannuation.

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 six months fees or the remainder of the term of the contract (whichever is greater) 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.

L A COLLESS AND K E BROWN

Term of agreement – on-going commencing July 2006

Agreement

Consulting fees are 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 six 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 Board's 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 \$94,000 per annum plus \$12,500 for committee membership (\$5,000 per annum for membership of specified Board committee and \$7,500 for chairmanship of committee) plus per diem of \$1,500 per day (\$1,200 per day until September 2012) up to 4 days per month averaged over a 12 month rolling period for consulting services over and above normal director duties. There were no per diem amounts paid during the period.

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 \$65,000 per annum plus \$10,000 per annum for membership of specified Board committees (\$5,000 per annum for each committee) plus per diem of \$1,500 per day (\$1,200 per day until September 2012) up to 4 days per month for consulting services over and above normal director duties. There were no per diem amounts paid during the period.

Termination

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



DIRECTORS' REPORT

A D LETHLEAN

Agreement

Retainer payable to Rocky Rises Pty Ltd, in which Mr Lethlean has a substantial financial interest, of \$65,000 per annum plus \$12,500 for committee memberships (\$5,000 per annum for membership of specified Board committee and \$7,500 for chairmanship of committee) plus per diem of \$1,500 per day (\$1,200 per day until September 2012) up to 4 days per month for consulting services over and above normal director duties. There were no per diem amounts paid during the period.

Termination

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

D. SHARE-BASED PAYMENTS (AUDITED)

Performance Rights Plan

On 17 May 2011, shareholders approved the Alkane Resources Performance Rights Plan. This employee incentive scheme was designed to assist in the recruitment, reward, retention and motivation of Eligible Employees. Non-executive directors are excluded from participation in the Plan.

The Board may from time to time in its absolute discretion decide that an Eligible Employee is eligible to participate in the Plan and may invite them to apply for Performance Rights. Each Performance Right will represent a right to acquire one Share, subject to the terms of the Plan.

Each invitation will set out, amongst other things, the number of Performance Rights the Eligible Employee is invited to apply for, the performance criteria to which those Performance Rights will be subject, and the period of time over which the Performance Criteria must be satisfied (Performance Period), before the Performance Rights can vest.

A Performance Right granted to a Participant under the Plan is granted for no consideration. If Performance Rights vest under the Plan, no amount is payable by a Participant in respect of those Performance Rights vesting, or the subsequent issue of shares in respect of them.

A Participant does not have a legal or beneficial interest in any Share by virtue of acquiring or holding a Performance Right. A Participant's rights under a Performance Right are purely contractual and personal. In particular, a Participant is not entitled to participate in or receive any dividends or other shareholder benefits until the Performance Right has vested and a share has been issued to the Participant.

A Performance Right granted to a Participant will vest:

- at the end of the Performance Period upon the Board giving written notice to the relevant Participant of the number of Performance Rights in respect of which the Performance Criteria were satisfied over the Performance Period; or
- if the Board allows early vesting as a result of an event such as a takeover bid or scheme of arrangement.

A Performance Right granted will lapse on the earliest to occur of:

- the end of the Performance Period if the Performance Criteria relating to the Performance Right have not been satisfied;
- the Participant purporting to transfer a Performance Right or grant a security interest in or over, or otherwise purporting to dispose of or deal with, a Performance Right or interest in it (except where the Board has consented to a transfer or the Performance Right is transferred by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy);
- the Participant ceasing employment (except in certain circumstances classified as a Qualifying Reason);
- if in the opinion of the Board, the Participant has acted fraudulently or dishonestly or in breach of his or her obligations to the Company or any of its subsidiaries, and the Board determining that the Performance Rights held by the Participant should lapse;
- an event such as a takeover bid or scheme of arrangement occurring (in certain circumstances subject to the Board's discretion); and
- the date that is seven years after the grant of the Performance Right.

Although the Board has discretion to determine the number of Performance Rights granted to an Eligible Employee, broadly, the maximum number of securities which may be issued under the Plan (and any other employee share scheme operated by the Company) in a 5 year period is limited to 5% of the issued Shares of the Company (calculated at the date of the invitation under the Plan), subject to a range of exclusions, including, for example, securities issued under a disclosure document or issues that do not require disclosure under Chapter 6D of the Corporations Act because of section 708 of the Corporations Act.

No Performance Rights have been issued under the Plan during the year or to the date of this report.

Shares granted during the year

307,500 shares were issued to employees and contractors during the year. 237,500 shares were issued to employees, 10,000 were issued to contractors, with the remaining 60,000 shares being issued to Mineral Administration Services Pty Ltd, a company with which Mr Colless and Miss Brown (the Joint Company Secretaries) are associated in its capacity as the provider of company secretarial and administration services.

Options granted during the year

No options were granted to the directors or to employees during the year.

E. ADDITIONAL INFORMATION (AUDITED)

Shares issued on the exercise of options

There were no ordinary shares of Alkane Resources Ltd issued during the year ended 31 December 2012 on the exercise of options.

No further shares have been issued since that date. All shares on issue are fully paid.

Key Management Personnel

Other than the Managing Director, Chief Financial Officer and Company Secretaries, there were no other key management personnel during the financial year.

INSURANCE OF OFFICERS AND AUDITORS

Alkane Resources Limited has previously entered into deeds of indemnity, access and insurance with each of the Directors. These deeds remain in effect as at the date of this report. Under the Deeds, the Company indemnifies each Director to the maximum extent permitted by law against legal proceedings or claims made against or incurred by the Directors in connection with being a Director of the Company, or breach by the Group of its obligations under the Deed.

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

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

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 Group's detailed corporate governance policy statement is contained in the additional Supplementary Information section of the annual report and can be viewed on the web site at www.alkane.com.au.

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

Auditor's 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 2012 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 18 March 2013



DIRECTORS' REPORT

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 in note 23, 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 Group or acting as advocate for the Group.

Signed in accordance with a resolution of the Directors.

D I Chalmers

Director

Dated at Perth this 18th day of March 2013



STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTE	CONSOLIDATED 2012 \$'000	2011 \$'000
Revenue from continuing operations			
Gains recognised from sale of investments		93,061	-
Gains recognised from sale of assets		-	29
Interest received or due and receivable		3,611	889
Other revenue		44	43
		96,716	961
Expenses from continuing operations			
Office rent and outgoings		(173)	(157)
Share registry and filing fees		(167)	(187)
Directors' fees and salaries expensed		(461)	(421)
Professional fees and consulting services		(1,493)	(916)
Employee remuneration and benefits		(506)	(230)
Share-based payments		(248)	-
General and administration expenses		(778)	(502)
Finance costs		-	(112)
Depreciation		(78)	(55)
Peak Hill minesite maintenance and rehabilitation		(131)	(145)
Exploration expenditure provided for or written off		(1,325)	(1,023)
		(5,360)	(3,748)
Profit/(Loss) before income tax		91,356	(2,787)
Income tax expense	2	(24,821)	-
Profit/(Loss) for the year after income tax		66,535	(2,787)
Other comprehensive income			
Changes in fair value of available for sale investments, net of tax		(3,676)	-
Total comprehensive income/(loss) for the year		62,859	(2,787)
Comprehensive income/(loss) is attributable to:			
Members of Alkane Resources Ltd		62,859	(2,787)
Minority interests		-	-
		62,859	(2,787)
Profit/(Loss) is attributable to:			
Members of Alkane Resources Ltd		66,535	(2,787)
Minority interests		-	-
		66,535	(2,787)
Earnings per share attributable to the ordinary equity holders of the Company	20	\$0.19	(\$0.01)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
Current Assets			
Cash and cash equivalents	17	79,715	9,805
Receivables	3	1,431	686
Available for sale financial assets	4	89,425	2
Total Current Assets		170,571	10,493
Non-Current Assets			
Property, plant and equipment	5	19,678	5,135
Exploration and evaluation	6	66,556	49,003
Other financial assets	7	4,005	519
Total Non-Current Assets		90,239	54,657
Total Assets		260,810	65,150
Current Liabilities			
Trade and other payables	8	525	2,102
Provisions	9	216	134
Total Current Liabilities		741	2,236
Non-Current Liabilities			
Deferred tax liability	2	23,476	-
Provisions	9	235	211
Total Non-Current Liabilities		23,711	211
Total Liabilities		24,452	2,447
Net Assets		236,358	62,703
Equity			
Contributed equity	10	192,156	82,002
Other reserves	11	(3,034)	-
Retained earnings	11	47,236	(19,299)
Total Equity		236,358	62,703

The accompanying notes form part of these financial statements.



STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

		ATTRIBUTABLE TO MEMBERS OF ALKANE RESOURCES LTD			
	NOTE	CONTRIBUTED EQUITY \$'000	RESERVES \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
CONSOLIDATED					
Balance at 1 January 2011		62,080	-	(16,512)	45,568
Total loss for the year		-	-	(2,787)	(2,787)
Contributions of equity, net of transaction costs	10	19,922	-	-	19,922
Balance at 31 December 2011		82,002	-	(19,299)	62,703
Balance at 1 January 2012		82,002	-	(19,299)	62,703
Total profit for the year		-	-	66,535	66,535
Other comprehensive loss for the year		-	(3,676)	-	(3,676)
Contributions of equity, net of transaction costs	10	110,154	-	-	110,154
Options issued		-	642	-	642
Balance at 31 December 2012		192,156	(3,034)	47,236	236,358

The accompanying notes form part of these financial statements.



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTE	CONSOLIDATED	
		2012 \$'000	2011 \$'000
Cash Flows from Operating Activities			
Rent received		42	47
Payments to suppliers (inclusive of goods and services tax)		(2,544)	(1,725)
R&D tax refund received		1,423	-
Interest received		3,320	922
Net cash inflow/(outflow) from operating activities	18	<u>2,241</u>	<u>(756)</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(7,387)	(337)
Proceeds from sale of property, plant and equipment		-	28
Refund of security deposits		22	-
Payments for security deposits		(3,629)	(7)
Grant received		550	-
Cash held by subsidiary disposed of		(6)	-
Payments for exploration expenditure		(10,901)	(10,946)
Payments for development expenditure		(12,998)	(2,654)
Net cash outflow from investing activities		<u>(34,349)</u>	<u>(13,916)</u>
Cash Flows from Financing Activities			
Proceeds from issue of shares and options		106,924	21,000
Cost of share issues		(4,906)	(1,078)
Net cash inflow from financing activities		<u>102,018</u>	<u>19,922</u>
Net increase in cash and cash equivalents		69,910	5,250
Cash and cash equivalents at the beginning of the financial year		9,805	4,555
Cash and cash equivalents at the end of the financial year	17	<u>79,715</u>	<u>9,805</u>
Non-cash investing and financing activities	24		

The accompanying notes form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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.

a) BASIS OF PREPARATION

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

The financial report is presented in Australian Dollars, which is the Group's presentation currency and is prepared in accordance with the historical cost basis. All values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated, under the option available to the company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Separate financial statements for Alkane Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Alkane Resources Limited as an individual entity is included in Note 15.

Compliance with IFRSs

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss. 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 2012 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 Statement of Comprehensive Income and Statement of Financial Position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated Statement of Comprehensive Income 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 current income tax charge, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and 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 is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

The Group has identified only one reportable segment as exploration and development activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, for the Group's mineral assets in this geographic location. There has been no change in the number of reportable segments presented in the prior year.

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables

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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

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 has complied with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to the purchase of assets are netted off against the cost of the asset and recognised in profit and loss over the expected lives of the related assets.

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.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable 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 Statement of Comprehensive Income.

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) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less depreciation. Land is not depreciated. Depreciation on plant and equipment is calculated on a straight line basis to write off the net cost of each asset during their expected useful life as follows:

- Buildings 10 years
- Leasehold improvements 10 years
- Furniture 4 years
- Equipment 3.3 years
- Motor vehicles 5 years
- Computer software 2.5 years

Gains and losses on disposals are determined by comparing proceeds with carrying values. These are included in the profit and loss.

m) INVESTMENTS AND OTHER FINANCIAL ASSETS

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

iii) Held-to-maturity investments

Held-to-Maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Recognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are no longer recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in fair value of the financial assets at fair value through profit or loss category are presented in the profit and loss in the period in which they arise.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in fair value are presented in the statement of comprehensive income in the period in which they arise.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Derivative financial instruments

Derivative financial instruments are used by the Group to protect against the Group's Australian dollar gold price risk exposures. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives that meet the purchase/sale exemption because physical goods will be delivered into the contract will be accounted for as sale contracts with revenue recognised once the goods has been delivered or the contracts are rolled over.

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 Group prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) PROVISIONS

Provisions are recognised when the Group 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

q) LEASES

Leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term. The Group has no finance leases.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

r) JOINT VENTURES

The consolidated entity's proportionate interests in the assets, liabilities and expenses of a joint venture in which it participates are 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 Group 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 Group 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 Group 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 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) 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.

u) 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 Group in respect to any superannuation scheme.

Redundancy

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

v) 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.

w) 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.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

x) SHARE BASED PAYMENTS

Where shares or options are issued to contractors, employees or 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.

y) COMPARATIVE FIGURES

Where necessary, comparative figures have been restated to conform with changes in presentation for the current year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

z) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has adopted the following new and amended Australian Accounting Standards and interpretations as of 1 January 2012:

AFFECTED STANDARD	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION*
AASB 1054 Australian additional disclosures Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project	Sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards.	1 July 2011
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Asset	Makes amendments to AASB 7 Financial Instruments: Disclosures resulting from the IASB's comprehensive review of balance sheet activities.	1 July 2011
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	Amends AASB 112 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in AASB 140 Investment Property will, normally, be through sale.	1 Jan 2012
AASB 2010-9 Amendments to Australian Accounting Standards – Hyper-Inflation and Removal of Fixed Dates for First Time Adopters	Amends AASB 1 First-time Adoption of Australian Accounting Standards.	1 July 2011

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

The following Applicable Australian Accounting Standards have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2012. The Group has not been able to fully assess the impact of these revised standards:

- AASB 119 Employee Benefits
- AASB 127 Separate Financial Statements
- AASB 128 Investments in Associates and Joint Ventures
- AASB 9 Financial Instruments
- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Separate Financial Statements
- AASB 13 Fair Value Measurement
- AASB 2010-10 Amendments to Australian Accounting Standards – Removal of Fixed Dates for First Time Adopters
- AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to AASB 10
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB13
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
- AASB 2011-11 Amendments to AASB 119 arising from Reduced Disclosure Requirements
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-02 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.
- Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures: Offsetting Financial Assets and Financial Liabilities
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-4 Amendments to Australian Accounting Standards – Government Loans
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements Cycle

aa) PARENT ENTITY FINANCIAL INFORMATION POLICY

The financial information for the parent entity, disclosed in note 15 has been prepared on the same basis as the consolidated financial statements, except in relation to investments in subsidiaries, associates and joint venture entities. Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the Company, and assessed at each reporting date for any indications of impairment.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ab) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing this Financial Report the Group 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 Group 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 2012, the carrying value of exploration expenditure of the group is \$66,556,001.

Impairment of available-for-sale financial assets

The group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows. If all of the declines in fair value below cost were considered significant or prolonged, the group would have suffered impairment losses in the financial statements.

Income taxes

The group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

2. INCOME TAX EXPENSE

	CONSOLIDATED	
	2012	2011
	\$'000	\$'000
a) INCOME TAX EXPENSE		
Current tax	(1,423)	-
Deferred tax	26,244	-
Total income tax expense	24,821	-
b) RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Profit/(Loss) from continuing operations before income tax expense	91,356	(2,787)
Prima facie tax expense/(benefit) at 30% (2011: 30%)	27,407	(836)
Add tax effect of:		
Other non-deductible items	3,249	-
Adjustments in respect of deferred income tax of previous years	-	11,696
Less tax effect of:		
Non-assessable income	(1,423)	-
Recognition of previously unrecognised prior year tax losses	(4,029)	(10,860)
Recognition of previously unrecognised prior year capital losses	(8)	-
Tax benefits of deductible equity raising costs	(375)	-
Income tax expense attributable to entity	24,821	-
c) RECOGNISED DEFERRED TAX ASSETS COMPRISING THE FOLLOWING:		
Carry forward revenue losses	17,664	15,432
Carry forward capital losses	8	-
Property, plant and equipment	150	-
Capital raising and future blackhole deductions	1,289	-
Provisions and accruals	142	103
Other	114	-
Gross recognised deferred tax assets	19,367	15,535
Set-off against deferred tax liabilities	(19,367)	(15,535)
Net recognised deferred tax assets	-	-
Recognised deferred tax liabilities comprising the following:		
Exploration expenditure	(17,296)	(15,535)
Available for sale financial investments	(25,448)	-
Other	(99)	-
Gross recognised deferred tax liabilities	(42,843)	(15,535)
Set-off of deferred tax assets	19,367	15,535
Net recognised deferred tax liabilities	(23,476)	-
d) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY		
Relating to equity raising costs	(1,193)	-
Relating to revaluations of investments	(1,575)	-
	(2,768)	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

3. TRADE AND OTHER RECEIVABLES (Current)

	CONSOLIDATED	
	2012 \$'000	2011 \$'00
Other receivables	565	351
GST receivable	866	335
	<u>1,431</u>	<u>686</u>

4. AVAILABLE FOR SALE FINANCIAL ASSETS (Current)

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Listed securities - equity securities		
Opening balance at 1 January	2	3
Additions during the year	94,675	-
Changes in fair value	(5,252)	(1)
Closing balance at 31 December	<u>89,425</u>	<u>2</u>

5. PROPERTY, PLANT AND EQUIPMENT (Non-Current)

	LAND AND BUILDINGS	PLANT AND EQUIPMENT	ASSETS UNDER CONSTRUCTION	OTHER MINING ASSETS	TOTAL
Reconciliation of cost - 2012					
Opening balance at 1 January	2,166	383	1,737	1,044	5,330
Acquisitions	6,291	306	9,036	-	15,633
Disposal of subsidiary	(1,012)	-	-	-	(1,012)
Disposals	-	(16)	-	-	(16)
Closing balance at 31 December	<u>7,445</u>	<u>673</u>	<u>10,773</u>	<u>1,044</u>	<u>19,935</u>
Reconciliation accumulated depreciation - 2012					
Opening balance at 1 January	3	192	-	-	195
Disposals	-	(16)	-	-	(16)
Depreciation	1	77	-	-	78
Closing balance at 31 December	<u>4</u>	<u>253</u>	<u>-</u>	<u>-</u>	<u>257</u>
Carrying value - 2012	<u>7,441</u>	<u>420</u>	<u>10,773</u>	<u>1,044</u>	<u>19,678</u>
Reconciliation of cost - 2011					
Opening balance at 1 January	1,946	442	107	20	2,515
Acquisitions	220	119	1,630	1,024	2,993
Disposals	-	(178)	-	-	(178)
Closing balance at 31 December	<u>2,166</u>	<u>383</u>	<u>1,737</u>	<u>1,044</u>	<u>5,330</u>
Reconciliation accumulated depreciation - 2011					
Opening balance at 1 January	2	316	-	-	318
Disposals	-	(178)	-	-	(178)
Depreciation	1	54	-	-	55
Closing balance at 31 December	<u>3</u>	<u>192</u>	<u>-</u>	<u>-</u>	<u>195</u>
Carrying value - 2011	<u>2,163</u>	<u>191</u>	<u>1,737</u>	<u>1,044</u>	<u>5,135</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

6. EXPLORATION AND EVALUATION (Non-Current)

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Opening balance at 1 January	49,003	39,140
Expenditure during the period	19,380	10,886
Disposal of subsidiary	(502)	-
Net gain (loss) from fair value adjustment	(1,325)	(1,023)
Closing balance at 31 December	66,556	49,003

The recovery of the costs of exploration and evaluation expenditure carried forward is dependent on the successful development and commercial exploitation of each area of interest, or otherwise by the sale at an amount not less than the carrying value.

There may exist, on the Group's exploration properties, areas subject to claim under native title or containing sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within tenements may be subject to exploration or mining restrictions.

7. OTHER FINANCIAL ASSETS (Non-Current)

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Interest bearing security deposits	4,005	519

Deposits held by financial institutions as security for rehabilitation obligations as required under the respective exploration and mining leases.

8. TRADE AND OTHER PAYABLES (Current)

Trade and other payables	525	2,102
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9. PROVISIONS

Provisions (Current)		
Provision for employee benefits	216	134
Provisions (Non-Current)		
Provision for employee benefits	235	211

10. CONTRIBUTED EQUITY

	PARENT ENTITY			
	2012 NUMBER	2012 \$'000	2011 NUMBER	2011 \$'000
Share capital				
Ordinary shares – Fully paid	372,539,000	192,156	269,028,158	82,002
Movements in ordinary share capital				
Opening balance at 1 January	269,028,158	82,002	249,028,158	62,080
Share based payments	6,307,500	6,668	-	-
Rights issue	26,903,342	29,594	-	-
Placement of shares	70,300,000	77,330	20,000,000	21,000
Closing balance at 31 December	372,539,000	195,594	269,028,158	83,080
Less: Costs of issues	-	(3,438)	-	(1,078)
Balance per Statement of Financial Position	372,539,000	192,156	269,028,158	82,002

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 shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

10. CONTRIBUTED EQUITY (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

Options

Information relating to options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 26.

11. RETAINED PROFITS AND RESERVES

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Reserves		
Share based payment reserve	642	-
Available for sale financial asset reserve	(3,676)	-
	(3,034)	-
Share based payment reserve		
Balance 1 January	-	-
Options expense - gross	917	-
Deferred tax	(275)	-
Balance 31 December	642	-
Available for sale financial asset reserve		
Balance 1 January	-	-
Change in fair value of available for sale financial assets - gross	(5,252)	-
Deferred tax	1,576	-
Balance 31 December	(3,676)	-
Retained earnings		
Balance 1 January	(19,299)	(16,512)
Profit/(Loss) for the year after income tax expense	66,535	(2,787)
Balance 31 December	47,236	(19,299)

Nature and purpose of reserves

The share based payments reserve is used to recognise the fair value of options issued but not yet exercised.

The available for sale financial asset reserve is used to recognise the changes in fair value of available-for-sale financial assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

12. 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 J Gandel and Anthony D Lethlean

Tomingley Holdings Pty Ltd, Tomingley Gold Operations Pty Ltd

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

Kiwi Australian Resources Pty Ltd, Australian Zirconia Ltd

D Ian Chalmers, Lindsay A Colless and Ian J Gandel

LFB Resources NL (subsidiary to November 2012)

D Ian Chalmers, Lindsay A Colless and Ian J Gandel

Skyray Properties Ltd (BVI)

G Menzies

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/Chief Financial Officer (until 29 October 2012)

K E Brown – Joint Company Secretary

M Ball – Chief Financial Officer (from 29 October 2012)

c) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Administration, accounting and company secretarial fees of \$276,704 were 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.

d) OUTSTANDING BALANCES

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

Current payables	\$
a) A D Lethlean	7,104
b) I J Gandel	13,750
c) J S Dunlop	1,203
d) L A Colless & K E Brown	21,917

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
A D Lethlean	-	433,396
D I Chalmers	4,990	2,163,864
I J Gandel	-	91,557,875
J S Dunlop	-	836,000
L A Colless	26,846	550,000 ^(a)
K E Brown	64,157	275,000 ^(a)
L A Colless & K E Brown in joint interests	-	373,335 ^(b)

(a) Held by MAS Superfund and other related parties 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 2012

12. KEY MANAGEMENT PERSONNEL DISCLOSURE (continued)

e) EQUITY INSTRUMENT DISCLOSURES RELATING TO KEY MANAGEMENT PERSONNEL (continued)

	BALANCE AT THE START OF THE YEAR	CHANGES DURING THE YEAR	ISSUED DURING THE YEAR ON EXERCISE OF OPTIONS	BALANCE AT THE END OF THE YEAR
2012				
SHARES				
Directors				
A D Lethlean	393,996	39,400	-	433,396
D I Chalmers	1,971,684	197,170	-	2,168,854
I J Gandel	70,911,964	20,645,911	-	91,557,875
J S Dunlop	760,000	76,000	-	836,000
Key Management Personnel				
L A Colless	524,405	52,441	-	576,846
K E Brown	308,324	30,833	-	339,157
L A Colless & K E Brown in joint interests	284,849	88,486	-	373,335
Total shares	75,155,222	21,130,241	-	96,285,463
2011				
SHARES				
Directors				
A D Lethlean	393,996	-	-	393,996
D I Chalmers	1,971,684	-	-	1,971,684
I J Gandel	70,911,964	-	-	70,911,964
J S Dunlop	760,000	-	-	760,000
Key Management Personnel				
L A Colless	524,405	-	-	524,405
K E Brown	358,324	(50,000)	-	308,324
L A Colless & K E Brown in joint interests	284,849	-	-	284,849
Total shares	75,205,222	(50,000)	-	75,155,222

f) KEY MANAGEMENT PERSONNEL COMPENSATION

	2012 \$'000	2011 \$'000
Short term employee or consulting benefits	934	987
Post-employment benefits	43	16
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	48	-
	1,025	1,003

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.

13. SEGMENTAL INFORMATION

The Group operates predominately in one geographical location. The operations of the Group consist of mining and exploration for gold and other minerals within Australia. Management have determined the operating segment based on the reports reviewed by the Managing Director.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

14. RELATED PARTY TRANSACTIONS – DIRECTORS

TYPE OF TRANSACTION	RELATED PARTY DIRECTORS	TERMS AND CONDITIONS	CONSOLIDATED	
			2012 \$'000	2011 \$'000
Management consulting	J S F Dunlop	Normal commercial	-	4
Director's retainer			107	107
Geological consulting, including geological and technical support staff	D I Chalmers	Normal commercial	-	299
Director's retainer			392	223
Director's consulting	I J Gandel	Normal commercial	-	20
Director's retainer			81	75
Directors' retainer	A D Lethlean	Normal commercial	78	78

15. PARENT ENTITY DISCLOSURES

	PARENT ENTITY	
	2012 \$'000	2011 \$'000
Financial Position		
Assets		
Current assets	170,586	10,259
Non-current assets	88,067	54,094
Total assets	258,653	64,353
Liabilities		
Current liabilities	460	1,438
Non-current liabilities	10,418	211
Total liabilities	10,878	1,649
Equity and Reserves		
Issued capital	192,156	82,002
Accumulated profits/(losses)	58,653	(19,298)
Reserves	(3,034)	-
Total equity	247,775	62,704
Financial Performance		
Profit/(loss) for the year	77,952	(2,653)
Other comprehensive income	(3,676)	-
Total comprehensive income	74,276	(2,653)

There were no guarantees, commitments or contingent liabilities relating to the Parent during the year or at balance date.

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

Balance at 1 January	(9,256)	(9,139)
Impairment reversal/(loss)	5,841	(117)
Balance at 31 December	(3,415)	(9,256)

Whilst the loans were not payable as at 31 December 2012, a provision for impairment based on the subsidiaries financial position was made. The balance of this provision may vary due to the ability of a subsidiary to repay the loan at reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

16. CONTROLLED ENTITIES

NAME	PLACE OF INCORPORATION	CLASS OF SHARES	2012 %	2011 %
Australian Zirconia Ltd	Western Australia	Ordinary	100	100
Skyray Properties Ltd	British Virgin Islands	Ordinary	100	100
Kiwi Australian Resources Pty Ltd	Western Australia	Ordinary	100	100
LFB Resources NL	New South Wales	Ordinary	-	100
Tomingley Holdings Pty Ltd	New South Wales	Ordinary	100	100
Tomingley Gold Operations Pty Ltd	New South Wales	Ordinary	100	100

17. RECONCILIATION OF CASH

	CONSOLIDATED	
	2012 \$'000	2011 \$'000

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

Cash at bank	6,215	9,520
Call deposits	73,500	285
Cash and cash equivalents	79,715	9,805

Cash at bank bears a weighted average interest rate of 4.27% (2011: 3.29%). Refer to Note 22 for details of credit risk.

18. RECONCILIATION OF NET CASH INFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Operating Profit/(Loss)	66,535	(2,787)
Non-cash items in operating profit		
Depreciation and amortisation	78	55
Share-based payments	248	-
Gains recognised from sale of investments	(93,061)	-
Gains recognised from sale of assets	-	(29)
Exploration costs provided for or written off	1,325	1,082
Changes in net assets and liabilities		
Decrease/(increase) in trade and other receivables	851	(248)
Decrease/(increase) in trade and other payables	(85)	1,105
Decrease/(increase) in provisions	106	66
Decrease/(increase) in deferred tax liability	26,244	-
Net cash inflow/(outflow) from operating activities	2,241	(756)

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

19. SUBSEQUENT EVENTS

In February 2013, the Group was advised by the NSW Department of Trade and Investment, Division of Resources and Energy that the Mining Lease for the Tomingley Gold Project was approved.

No other matter or circumstance has arisen since 31 December 2012 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 2012.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

20. EARNINGS PER SHARE

	2012 \$'000	2011 \$'000
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Basic earnings per share

(a) Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	66,535	(2,787)
--	--------	---------

	2012 NUMBER	2011 NUMBER
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(b) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	345,597,536	266,398,021
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The diluted earnings per share is not materially different from the basic earnings per share.

21. COMMITMENTS

Mineral tenement leases

In order to maintain current rights of tenure to mining tenements, the Group will be required to outlay in 2013 amounts of approximately \$581,000 (2012 \$994,000) 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	
	2012 \$'000	2011 \$'000
Within one year	581	994
Later than one year but less than five years	1,400	1,064
Later than five years	1,063	1,312
	3,044	3,370

Acquisitions of property, plant and equipment

In anticipation of development approvals for the Tomingley Gold Project, the Group initiated orders for certain long lead capital items. Commitments for acquisitions of property, plant and equipment not recognised as a liability in the financial statements are as follow:

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Within one year		
Acquisitions of capital equipment	17,182	4,066

Physical gold delivery commitments

The Group is exposed to movements in the gold price. As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financier, the Group enters into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold. It is management's intention to settle each contract through physical delivery of gold.

The gold forward sale contracts disclosed below do not meet the criteria of financial instruments for accounting purposes on the basis that they meet the normal purchase/sale exemption because physical gold will be delivered into the contract. Accordingly, the contracts will be accounted for as sale contracts with revenue recognised once the gold has been delivered or the contracts are rolled over.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

21. COMMITMENTS (continued)

	GOLD FOR PHYSICAL DELIVERY OUNCES	CONTRACTED GOLD SALE PRICE PER OUNCE - \$	VALUE OF COMMITTED SALES \$'000
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31 December 2012

Within one year:

Fixed forward contracts	90,000	1,458.20	131,238
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31 December 2011

Within one year:

Fixed forward contracts	90,000	1,444.10	129,969
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The Group has no other gold sale commitments. The Group has a contingent liability of the difference between the hedge price and the spot price of gold if the forwards are not settled through physical delivery of gold.

22. 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 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.

(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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

22. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued):

The Group's maximum exposure to credit risk at the reporting date was:

	CONSOLIDATED CARRYING AMOUNT	
	2012 \$'000	2011 \$'000
Cash and cash equivalents	79,715	9,805
Trade and other receivables	1,431	686
Available for sale financial assets	89,425	2
Other financial assets	4,005	519
Total exposure	174,576	11,012

None of the Group's other receivables are past due (2011: nil).

Impairment losses:

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

Balance at 1 January	149	148
Impairment loss/(reversal) recognised	5,252	1
Balance at 31 December	5,401	149

(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 Group'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 %	INTEREST BEARING \$'000	NON-INTEREST BEARING \$'000	TOTAL \$'000
2012				
Financial assets				
Cash and cash equivalents	4.27	79,709	6	79,715
Other financial assets	4.39	4,005	-	4,005
Available for sale financial assets	-	-	89,425	89,425
Trade and other receivables	-	-	1,431	1,431
		83,714	90,862	174,576
Financial liabilities				
Trade and other payables	-	-	(525)	(525)
	-	-	(525)	(525)
2011				
Financial assets				
Cash and cash equivalents	5.00	9,785	20	9,805
Other financial assets	4.95	509	10	519
Available for sale financial assets	-	-	2	2
Trade and other receivables	-	-	686	686
		10,294	718	11,012
Financial liabilities				
Trade and other payables	-	-	(2,102)	(2,102)
	-	-	(2,102)	(2,102)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

22. FINANCIAL RISK MANAGEMENT (continued)

(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.

(ii) Price risk

The Group and the Company are exposed to equity securities price risk. This arises from investments held by the Group and classified on the Statement of Financial Position 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 Company's profit for the year and on equity. The analysis is based on the assumption that the price of securities increased/decreased by 10% (2011 – 10%) with all the other variables held constant.

	PROFIT AND LOSS		EQUITY	
	INCREASE \$'000	DECREASE \$'000	INCREASE \$'000	DECREASE \$'000
Consolidated				
2012 – 10% change	-	(8,943)	8,943	-
2011 – 10% change	-	-	-	-

iii) Interest rate risk:

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

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Fixed rate instruments		
Financial assets	76,971	6,193
Variable rate instruments		
Financial assets	6,743	4,101

Fair value sensitivity analysis for fixed rate instruments:

Fixed rate instruments mature within three months of balance date.

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 2011.

	PROFIT AND LOSS		EQUITY	
	100 BP INCREASE \$'000	100 BP DECREASE \$'000	100 BP INCREASE \$'000	100 BP DECREASE \$'000
Consolidated				
2012				
Financial assets	67	(67)	67	(67)
2011				
Financial assets	41	(41)	41	(41)

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 Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

23. AUDITOR'S REMUNERATION

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Amount received or due and receivable by the auditor for:		
a) AUDIT SERVICES		
Audit and review of financial reports under the Corporations Act 2001	53	48
b) NON AUDIT SERVICES		
Taxation services	-	9
Total remuneration of auditors	53	57

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 are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

24. NON-CASH INVESTING AND FINANCING ACTIVITIES

During the period, the Company sold its investment in subsidiary LFB Resources NL for 17,500,000 shares in Regis Resources Limited. The fair value of the consideration received at the date of sale was \$94,675,000. Refer to Note 4 for details relating to the fair value of the shares at reporting date.

25. CONTINGENT ASSETS

The Group entered into an agreement with the New South Wales Department of Trade and Investment Regional Infrastructure Services to receive grant monies for the construction of certain infrastructure relating to the Tomingley gold project. Subject to the Group meeting all of the requirements of the agreement, the total amount of the grant to be received will be \$4,000,000 (excluding GST). \$500,000 (excluding GST) has been received in the current financial reporting period.

26. SHARE-BASED PAYMENTS

Shares

During the year, 6,000,000 shares and 4,000,000 options (see details below) were issued to Compass Resources Limited in consideration for the buy-back of the production royalty in respect of any minerals and metals recovered from Exploration Licence 5675 at the Tomingley gold project. These costs were included in the cost of the relevant exploration license.

307,500 shares were also issued to employees and contractors resulting in \$247,537 being expensed to profit and loss.

Shares are valued at market price (being the share price on issue date) and options were valued as described below.

Options

Set out below is a summary of the options outstanding at the end of the financial year:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	EXERCISED DURING THE FINANCIAL PERIOD	EXPIRED DURING THE FINANCIAL PERIOD	BALANCE AT THE END OF THE FINANCIAL PERIOD (NUMBER)	VESTED AND EXERCISABLE AT END OF FINANCIAL PERIOD (NUMBER)
15 May 2012	15 May 2013	\$1.50	-	-	4,000,000	4,000,000

There were no options issued in the previous year.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

26. SHARE-BASED PAYMENTS (continued)

Option pricing model

The fair value of options granted is estimated as at the date of grant using the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs used:

	CONSOLIDATED	
	2012	2011
Other options		
Expected volatility (%)	78.0%	-
Risk-free interest rate (%)	6.5%	-
Expected life of option (years)	1	-
Option exercise price (\$)	1.50	-
Share price (\$)	1.07	-



DIRECTORS' DECLARATION

In the Directors' opinion:

- 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 Group as at 31 December 2012 and of its performance for the financial year ended 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, 18th March 2013

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF ALKANE RESOURCES LTD



Level 18, Central Park Building, 152-158 St Georges Terrace, Perth WA 6000
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 6364 5076 www.rothsay.com.au

**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 statement of financial position as at 31 December 2012 and the statement of comprehensive income, 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.

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.

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).

I N D E P E N D E N T A U D I T R E P O R T



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 2012 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the Corporations Regulations 2001; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

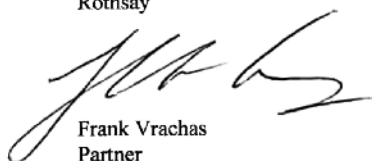
We have audited the remuneration report included in the Directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Audit Opinion

In our opinion the Remuneration Report of Alkane Resources Ltd for the year ended 31 December 2012 complies with section 300A of the *Corporations Act 2001*.



Rothsay



Frank Vrachas
Partner

Dated 18 March 2013

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

APPROACH TO CORPORATE GOVERNANCE

Alkane Resources Ltd (*Company*) has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition (*Principles & Recommendations*), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

The following governance-related documents can be found on the Company's website at www.alkane.com.au, under the section marked "Corporate Governance":

CHARTERS

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee

POLICIES AND PROCEDURES

- Policy and Procedure for Selection and (Re) Appointment of Directors
- Process for Performance Evaluations
- Policy on Assessing the Independence of Directors
- Diversity Policy (summary)
- Code of Conduct (summary)
- Policy on Continuous Disclosure (summary)
- Compliance Procedures (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Policy
- Board Risk Management Policy (summary)
- Policy for Trading in Company Securities

The Company reports below on how it has followed (or otherwise departed from) each of the recommendations during the 2012 financial year (Reporting Period). The information in this statement is current at 18 March 2013.

BOARD

ROLES AND RESPONSIBILITIES OF THE BOARD AND SENIOR EXECUTIVES

(*Recommendations: 1.1, 1.3*)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is disclosed on the Company's website.

SKILLS, EXPERIENCE, EXPERTISE AND PERIOD OF OFFICE OF EACH DIRECTOR

(Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

The current composition of the Board includes directors with geological, engineering, finance and broking and general business skills and experience. The Board believes that these skills have been adequate for the Company's status to date. As the Company's projects develop and the Company matures, it is considered that augmenting the Board with additional members would enhance diversity and the depth of experience and expertise required as the Dubbo Zirconia Project is progressed.

DIRECTOR INDEPENDENCE

(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board has a majority of directors who are independent.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds.

The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent directors of the Company are John Dunlop (the Chair of the Board), Anthony Lethlean and Ian Gandel (deemed independent by the Board). Messrs Dunlop and Lethlean are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Mr Gandel is a substantial shareholder (as defined in the Corporations Act 2001 (Cth)) of the Company. Mr Gandel does not have any of the other relationships against which independence is considered (having regard to the Company's materiality thresholds) as set out in Box 2.1 of the Principles & Recommendations. The Board considers that Mr Gandel's interest as a substantial shareholder is consistent with that of other shareholders and his shareholding does not cause potential for real conflict between his interests and the majority of the other shareholders of the Company (and therefore affect Mr Gandel's ability to exercise unbiased judgment). To the contrary, the Board, in the absence of Mr Gandel, consider that Mr Gandel demonstrates and consistently makes decisions and takes actions that are in the best interests of the Company and its shareholders, and therefore consider him to be independent.

The non-independent director on the Board is David (Ian) Chalmers, the Managing Director.

Mr Lethlean has been elected by the Board as lead independent director. The Board has established the functions reserved for the lead independent director, and has set these out in a Lead Independent Director Charter. These functions include:

- assuming role of Chair when the Chair is unable to act;
- coordinating the activities of the independent directors;
- serving on, and as required, chairing any regular or special committees of the Board;
- participating in the review of the performance of the Chair and Managing Director; and
- participating in communication with shareholders.

INDEPENDENT PROFESSIONAL ADVICE

(Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

SELECTION AND (RE)APPOINTMENT OF DIRECTORS

(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director, other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting, a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and Re (Appointment) of Directors is disclosed on the Company's website.

BOARD COMMITTEES

NOMINATION COMMITTEE

(Recommendations: 2.4, 2.6)

The Board has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee.

The full Board in its capacity as the Nomination Committee held two meetings during the Reporting Period, which all Board members attended. Details of the directors' attendance at these meetings are set out in a table in the Directors' Report on page 27.

The Company's Nomination Committee Charter is disclosed on the Company's website.

AUDIT COMMITTEE

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has established an Audit Committee. The Audit Committee is, and was during the Reporting Period, structured in compliance with Recommendation 4.2. It comprises three independent non-executive directors; Messrs Dunlop, Lethlean and Gandel. The Audit Committee is chaired by Mr Lethlean who is not Chair of the Board.

The Board has adopted an Audit Committee Charter which describes the committee's role, composition, functions and responsibilities of the Audit Committee.

The Audit Committee held two meetings during the Reporting Period. Details of the directors' attendance at these meetings are set out in a table in the Directors' Report on page 27.

Details of each of the director's qualifications are set out in the Directors' Report. While none of the Audit Committee members have financial qualifications, each member is financially literate and has extensive industry knowledge. Further, the Chief Financial Officer of the Company is available to assist the Audit Committee. If necessary, the Audit Committee Charter also provides that the committee may seek explanations and additional information from the Company's external auditors, without management present, when required.



C O R P O R A T E G O V E R N A N C E S T A T E M E N T

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company throughout the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website.

REMUNERATION COMMITTEE

(Recommendations: 8.1, 8.2, 8.3, 8.4)

The Board has established a Remuneration Committee. The Remuneration Committee is, and was during the Reporting Period, structured in accordance with Recommendation 8.2 and Listing Rule 12.8. The Remuneration Committee comprises three independent non-executive directors: Messrs Dunlop (Chair), Lethlean and Gandel.

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

The Remuneration Committee held four meetings during the Reporting Period. Details of the directors' attendance at these meetings are set out in a table in the Directors' Report on page 27.

Details of remuneration, including the Company's policy on remuneration, are contained in the Remuneration Report which forms part of the Directors' Report. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Company. For services in addition to ordinary directors' services, non-executive directors may charge per diem consulting fees at the rate specified by the Board from time to time for a maximum of 4 days per month over a 12-month rolling basis. Any fees in excess of this limit are to be approved by the Board. The Board may, from time to time, consider issuing share-based payments (including options) to non-executive directors, subject to obtaining the relevant shareholder approvals. Given the Company's size and stage of development to date, the Board believes this is an effective means of attracting and retaining the highest calibre of professionals to the role whilst maintaining the Company's cash reserves. This policy is subject to annual review. Executive pay and rewards consist of a base salary and performance incentives. Long term performance incentives may include share-based payments (including options) granted at the discretion of the Board and subject to obtaining the relevant approvals.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is disclosed on the Company's website.

PERFORMANCE EVALUATION

SENIOR EXECUTIVES

(Recommendations: 1.2, 1.3)

The Managing Director is responsible for evaluating the performance of senior executives. The current size and structure of the Company allows the Managing Director to conduct informal evaluation regularly. Approximately annually, individual performance may be more formally assessed in conjunction with a remuneration review. During the Reporting Period, an evaluation of senior executives took place in accordance with the process disclosed. A formal assessment was undertaken utilising a questionnaire to form the basis of discussions with the Managing Director.



C O R P O R A T E G O V E R N A N C E S T A T E M E N T

BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

(Recommendations: 2.5, 2.6)

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

Performance evaluation of the Board is carried out by means of ongoing review by the Chair with reference to the composition of the Board and its suitability to carry out the Company's objectives.

The Chair may carry out the review by various means including, but not limited to:

- meeting with and interviewing each Board member;
- consultation with the full Board, in its capacity as the Nomination Committee;
- circulation of internal review tools such as formal questionnaires and reports; and
- outsourcing to independent specialist consultants.

The Chair's review may include:

- assessing the skills, performance and contribution of individual members of the Board and senior management personnel;
- consideration of the performance of the Board as a whole and of its various committees;
- the awareness of Board members of their responsibilities and duties, and of corporate governance and compliance requirements;
- the awareness of Board members of the Company's goals and strategies;
- the understanding of Board members of the business/es the Company is operating and the trends and issues affecting the market/s in which it competes; and
- consideration of avenues for continuing improvement of Board functions and further development of its skill base.

The Chair reports back to the Board in regard to his review at least annually.

The full Board, in its capacity as the Nomination Committee, is responsible for the evaluation of the Managing Director. Given the current size and structure of the Company, in addition to the process for general performance evaluation as outlined above, further performance evaluation may be carried out on an ongoing basis through open and regular communication between the Board, in its capacity as the Nomination Committee, and the Managing Director, to identify and achieve key performance indicators, to provide feedback, and to provide guidance and support where any issues may become evident.

During the Reporting Period an evaluation of the Board, its committees, and individual directors took place in accordance with the process disclosed.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

ETHICAL AND RESPONSIBLE DECISION MAKING

CODE OF CONDUCT

(Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is disclosed on the Company's website.

C O R P O R A T E G O V E R N A N C E S T A T E M E N T

DIVERSITY

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them.

The Board also adopted a Diversity Strategy, which details the Company's measurable objectives for achieving gender diversity in accordance with the Diversity Policy. The following table outlines the objectives that have been set by the Board, together with the Board's progress towards achieving them:

MEASURABLE OBJECTIVE	PROGRESS TOWARDS ACHIEVEMENT IN REPORTING PERIOD
Increase the representation of women at Board level: ideally, of the next two Board appointments, at least one should be a female with appropriate skills and attributes.	When it is considered to be appropriate to expand or refresh the Board, consideration will be given to gender in formulating a wishlist for potential new candidates. There have been no new Board appointments since adoption of the Diversity Strategy.
Increase the representation of women at management level: ideally, of the next two management appointments, at least one should be a female with appropriate skills and attributes.	When it is considered appropriate to expand or refresh the management team, consideration will be given to gender in assessing candidates for each position. Only one senior management role has been recruited during 2012. The role of Chief Financial Officer has been filled by a male.
Increase the representation of women at the professional/technical level: ideally, of the next two professional/technical appointments, at least one should be a female with appropriate skills and attributes.	Recruitment of professional and technical personnel in accordance with the growth and development of the Company during 2012 resulted in the following engagements: Project Manager, TGO: Male Operations Manager, TGO: Male Environmental Superintendent: Female Corporate Communications Manager: Female ("embedded" consultant.)
In general, aim for and encourage the recruitment of at least 20% of new personnel to be female.	During 2012 the Company's fulltime staff payroll increased by four from nine to 13. 25% of the new fulltime employees is female. Since year end, fulltime staff payroll had increased to 15. 100% of the new fulltime employees is female.

In addition to the specific targets above, the Company's Diversity Strategy also includes targets for periodic review of the Diversity Policy and the Diversity Strategy, ongoing reviews and upgrading of the processes and policies to incorporate diversity issues in relation to director selection and evaluation; succession planning; recruitment and human resources management. The Diversity Policy was reviewed and retained without amendment in November 2011. Other policies and processes are being designed as the Company proceeds towards development of operations at the Tomingley Gold Project

The Board has also adopted a policy to address harassment and discrimination in the Company, which it believes will facilitate an environment that encourages a diverse workforce.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	PROPORTION OF WOMEN
Whole organisation (including Board and Senior Executives)	Six out of 22 (27%)
Senior Executive positions (excluding Board)	One* out of three (33%)
Board	None out of four (0%)

* Includes "embedded" consultant/s

A summary of the Company's Diversity Policy is disclosed on the Company's website.

CONTINUOUS DISCLOSURE

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.



C O R P O R A T E G O V E R N A N C E S T A T E M E N T

SHAREHOLDER COMMUNICATION

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

RISK MANAGEMENT

(Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Board Risk Management Policy which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control. The Board has also adopted a Risk Management Policy designed to manage risks effectively at management and staff level and an Operational Risk Management Framework to assist in implementation of the Risk Management Policy.

Under the Board Risk Management Policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems. The Audit Committee reports to the Board in this regard at least twice per year. The Board established a separate Risk Management Committee to assist the Managing Director to identify, monitor and manage the Company's risks on 2 November 2012. The committee has six members: the Chair, the Managing Director, the General Manager NSW, the Chief Geologist, the Project Manager for Tomingley Gold Project and the Operations Manager for Tomingley Gold Project. The committee operates under a Risk Management Committee Charter that has been adopted by the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board has formalised and documented the management of its material business risks. This system includes the preparation of a risk matrix by third party consultants in consultation with the Board and management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks is allocated to members of senior management. Risk is a standing item at each scheduled Board meeting and the risk matrix is reviewed quarterly.

The categories of risk reported on as part of the Company's systems and processes for managing material business risks include: financial management; operational management; human resource management; occupational health and safety; reputation; IT/information management; commercial/legal; structural; asset management; compliance/regulatory; corporate governance; opportunity; and stakeholder management.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act 2001 (Cth) and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company's Board Risk Management Policy is available on the Company's website at www.alkane.com.au.

SHAREHOLDER INFORMATION

SHARE HOLDING AT 18 MARCH 2013 - ALK

(a) DISTRIBUTION OF SHAREHOLDERS

SHARE HOLDING	NUMBER OF HOLDERS FULLY PAID ORDINARY SHARES
1 - 1,000	878
1,001 - 5,000	2,230
5,001 - 10,000	1,105
10,001 - 100,000	1,649
100,001 - over	186
	6,048

(b) UNMARKETABLE PARCELS

There are 630 shareholders who hold less than a marketable parcel.

(c) VOTING RIGHTS

Voting rights are one vote per fully paid ordinary share

(d) NAMES OF THE SUBSTANTIAL HOLDERS AS DISCLOSED IN SUBSTANTIAL HOLDING NOTICES:

SHAREHOLDER	NUMBER OF SHARES
Abbotsleigh Pty Ltd	91,557,875
FMR LLC and FIL Limited	18,660,278

TOP TWENTY SHAREHOLDERS AT 18 MARCH 2013

SHAREHOLDER	NUMBER OF SHARES	% ISSUED CAPITAL
Abbotsleigh Pty Ltd	85,557,875	22.97
JP Morgan Nominees Australia Limited	55,009,947	14.77
JP Morgan Nominees Australia Limited <Cash Income A/C>	27,751,664	7.45
HSBC Custody Nominees (Australia) Limited	24,353,579	6.54
National Nominees Limited	23,160,940	6.22
Citicorp Nominees Pty Limited	14,212,056	3.81
Merrill Lynch (Australia) Nominees Pty Ltd	6,870,797	1.84
Pershing Australia Nominees Pty Ltd <Argonaut Account>	6,560,246	1.76
Funding Securities Pty Ltd <Colin J Ferguson S/F A/C>	3,850,000	1.03
Choice Investments Dubbo Pty Ltd	3,848,370	1.03
Sandhurst Trustees Ltd <DMP Asset Management A/C>	3,457,246	0.93
Leefab Pty Ltd	2,038,723	0.55
Ms Kathryn Lewis	1,996,555	0.54
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,646,497	0.44
RM Dimond & Associates Pty Ltd <The Dimond Super Fund A/C>	1,600,000	0.43
UBS Wealth Management Australia Nominees Pty Ltd	1,553,818	0.42
Berne No 132 Nominees Pty Ltd <152417 A/C>	1,540,000	0.41
Spacebull Pty Limited	1,333,689	0.36
RBC Investor Services Australia Nominees Pty Ltd BKCUST A/C>	1,182,865	0.32
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	1,173,416	0.31
	268,698,283	72.13



SHAREHOLDER INFORMATION

UNLISTED OPTIONS AT 18 MARCH 2013

CLASS OF OPTIONS	EXERCISE PRICE	EXPIRY DATE	NUMBER OF OPTIONS	NUMBER OF HOLDERS	HOLDERS OF 20% OR MORE	NUMBER OF OPTIONS
ALKAI	\$1.50	15 May 2013	4,000,000	One	Compass Resources Limited	4,000,000

RESTRICTED SECURITIES

As at the date of this report, there were no securities subject to restriction under the Listing Rules of ASX Limited.

ON MARKET BUY-BACK

As at the date of this report, there was no current on market buy-back



T E N E M E N T S C H E D U L E

AT 18 MARCH 2013

TENEMENT NUMBER	PROJECT NAME	ALKANE INTEREST %	OTHER INTERESTS
GL 5884 (Act 1904)	Peak Hill, NSW	100	
ML 6036	Peak Hill, NSW	100	
ML 6042	Peak Hill, NSW	100	
ML 6277	Peak Hill, NSW	100	
ML 6310	Peak Hill, NSW	100	
ML 6389	Peak Hill, NSW	100	
ML 6406	Peak Hill, NSW	100	
ML 1351	Peak Hill, NSW	100	
ML 1364	Peak Hill, NSW	100	
MLA 79 Or	Peak Hill, NSW	100	
ML 1479	Peak Hill, NSW	100	
EL 6319	Peak Hill, NSW	100	
ELA 4613	Parkes, NSW	100	
EL 5548	Dubbo, NSW	100	
EL 7631	Dubbo NSW	100	
MLA 183 Or	Dubbo, NSW	100	
EL 6320	Wellington, NSW	100	
EL 5675	Tomingley, NSW	100	
EL 5830	Tomingley, NSW	100	
EL 5942	Tomingley, NSW	100	
EL 6085	Tomingley, NSW	100	
ML 1684	Tomingley, NSW	100	
EL 7020	Cudal, NSW	100	
EL 4022	Bodangora, NSW	100	
EL 7235	Calula, NSW	100	
EL 7383	Calula, NSW	100	
EL 7971	Calula, NSW	80	Comet Resources Ltd 20%
ELA 4417	Mt Conqueror	100	
E 46/522-I	Nullagine, WA	0	Alkane group retains 60% interest
E 46/523-I	Nullagine, WA	0	in diamond potential
E 46/524	Nullagine, WA	0	
M 36/303	Miranda Well, WA	20	Xstrata Nickel holds 80%, Alkane diluting
M 36/329	McDonough, WA	20	
M 36/330	McDonough, WA	20	
E 36/622	Leinster Downs, WA	20	
P 36/1601	Leinster Downs, WA	20	
P 36/1602	Leinster Downs, WA	20	
P 36/1603	Leinster Downs, WA	20	
P 36/1604	Leinster Downs, WA	20	
P 36/1605	Leinster Downs, WA	20	