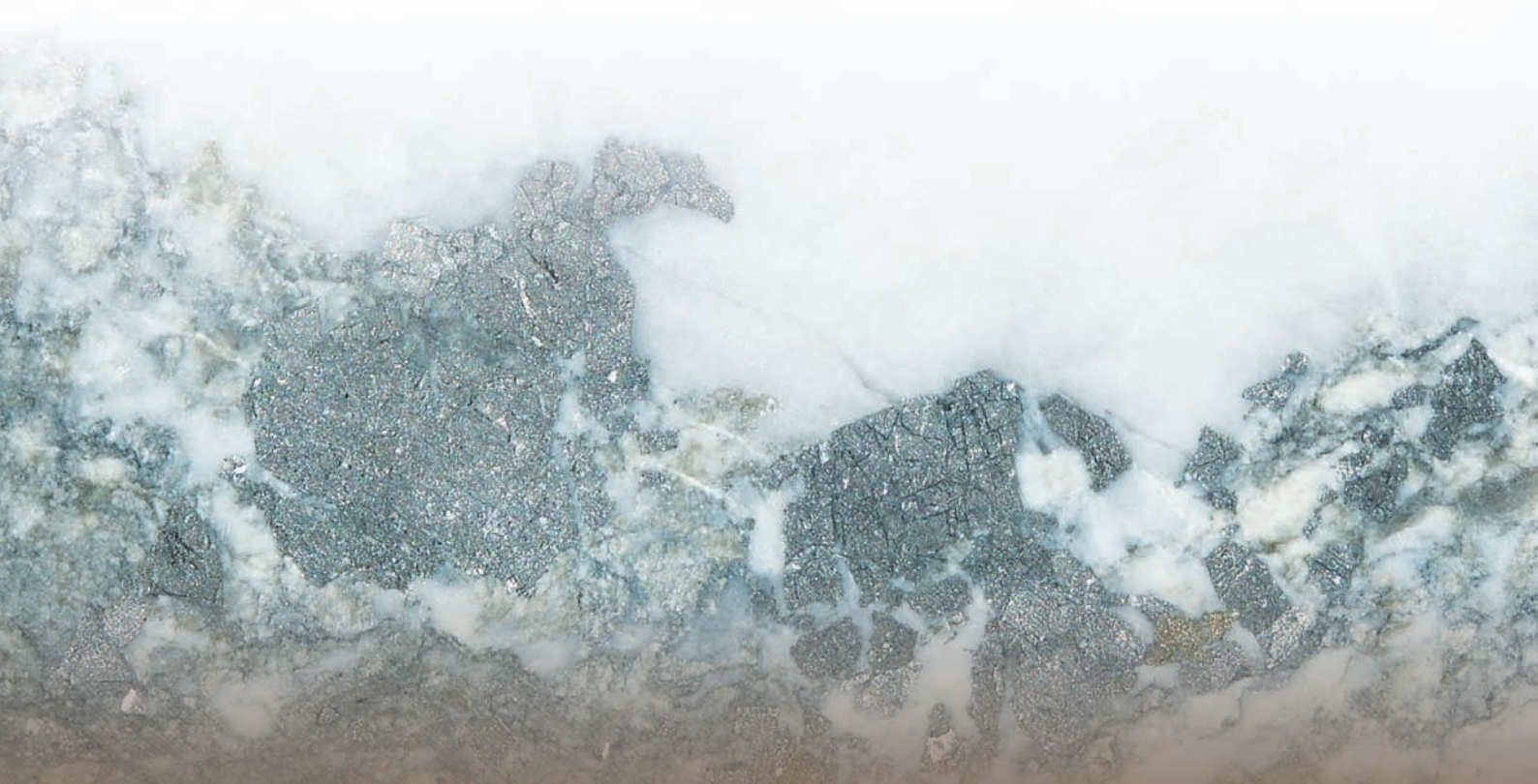




**ALKANE**  
RESOURCES LTD

AGN 000 689 216



A N N U A L   R E P O R T   2 0 0 7



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*McPhillamys drilling December 2007*



COMPANY  
INFORMATION

**ACN** 000 689 216

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## CHAIRMAN'S REPORT

Alkane has made major advancements during the year with the aims of getting the Company back into gold production and cash flow, and to progress the Dubbo Zirconia Project (DZP), our world class rare metal and rare earth resource.

The development of the Tomingley Gold Project (TGP), which is centred about 14 kilometres north of the Company's Peak Hill Gold Mine, received a major boost with the recognition that the newly discovered Caloma deposit could do more than provide the extra tonnes needed to proceed with the operation, but had the capability to have a substantial impact on the project economics with a scoping study indicating a potential for two million tonnes grading around 3g/t gold at shallow depths.

As a result of the scoping study a 20,000 metre RC and 5,000 metre core resource definition drilling program got underway at Caloma in late October, but persistent heavy rain in the region and limited drill rig availability, have caused the program to drag out well into 2008. Early in this year, two RC rigs and one core rig were on site trying to get the drilling completed by mid-April and allow definition of Measured and Indicated Resources which are necessary to compile the data for the Definitive Feasibility Study (DFS).

Caloma is located only 500 metres from the 600,000 ounce Wyoming deposits which have previously formed the basis of the TGP resources. Although separated from the conceptual TGP treatment plant site by the busy Newell Highway, it is very close to that site and should pose limited additional development costs. Reporting of drill results from Caloma over the last six months has demonstrated many shallow, substantial widths and high grade gold intercepts and has certainly supported our faith in the potential of the deposit to deliver a significant upgrade to the Project's resource base.

Mintrex (the consulting division of Perth engineering group, Holtfreeters Pty Ltd) were appointed the DFS managers in October and they commenced with a program of reviewing all historic information relating to the TGP to define critical issues, and have completed a conceptual plant design and layout. A number of other external consultants have also been engaged to combine with Alkane personnel to provide input into the DFS which is now scheduled for completion late 2008 or early 2009 due to the delays with the Caloma drilling.

While much of the DFS remains to be completed, the conceptual TGP development has firmed to a one million tonne per annum open pit mining operation and standard CIL gold recovery circuit to produce an average of 70,000 ounces of gold per year for a minimum of five years. At current spot gold prices (A\$1,000/oz) this production should be capable of generating cash flows of around \$30 million a year.

The DZP has also made substantial, but at times frustratingly slow, progress during the year. Construction of the Demonstration Pilot Plant (DPP) at ANSTO Minerals was delayed by finalisation of the process optimisation work and slow component delivery, and was finally completed early in 2008. It has commenced operation at the time of this report.

The DPP is designed to test the complete flowsheet, providing process and engineering data, but most importantly, several tonnes of the various products for distribution to potential end users. The data generated by the DPP will be used to update the existing feasibility model which we hope to have completed by the middle of 2009.

A major market update for the three key DZP product streams of zirconium, niobium and yttrium-rare earths was completed by the Project's feasibility managers, TZ Minerals International. This study highlighted some quite dramatic changes in the dynamics of some of the Project's products, particularly with the niobium and specific rare earths.

Niobium is used in special steels and growing demand in China and India has seen the ferro-niobium price jump from its traditional US\$15/kg to greater than US\$60/kg in March. While our understanding of the niobium market does not support this latter price long term, it would appear that the new base will be somewhere between US\$25-37/kg. This is more than double the previous price estimate we had used in earlier feasibility studies.

Perhaps more dramatic have been developments in the rare earth industry. China has dominated rare earth production for twenty years, but a fairly recent change in the attitude towards export of rare earth raw materials, has seen certain prices more than triple. At the same time the demand for these specific rare earths such as neodymium, dysprosium and terbium which have major uses in permanent magnets and batteries for use in hybrid vehicle electric motors has significantly increased.



With these changes the base case revenue stream for the DZP was conservatively estimated to be around US\$50 million per year but the increasing demand could enable the project to be scaled up and still have an open pit life of 200 years.

While the TGP and DZP are the backbone of Alkane, the exciting results generated by the two deep diamond core holes drilled at McPhillamys in December, give another dimension to the future of the Company. McPhillamys is part of the Orange District Exploration Joint Venture with Newmont Australia, the large US gold producer. Newmont are the managers of the project and are part way through their initial earn-in to get a 51% interest by spending \$5 million. Alkane are the operators and our exploration crews carry out the ground work. Newmont can go to 75% by carrying all expenditures through to completion of a feasibility study.

After discovery in 2006, only regional work was done at McPhillamys until late in 2007 when a geophysical survey was followed by the two core holes. Full details of these are documented within the Operations Report but the intercepts of 225 metres grading 1.16g/t gold within 349 metres at 0.87g/t gold from KPD 002 and 204 metres grading 1.62g/t gold within 263 metres at 1.32g/t gold from KPD 003 confirmed that this is a very large gold system with significant resource potential.

The 2008 program has not been finalised for McPhillamys but we believe that the prospect warrants a major drilling program.

Due to our heavy commitments with these three projects only limited work was carried out on other properties in the region, but we remain convinced about their prospectivity. The Company also retains its 9 million shares (~15%) in BC Iron Limited and feel the potential for mineable channel iron deposits at Nullagine remains high.

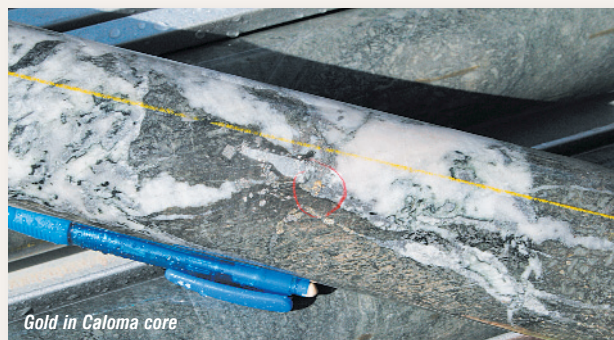
At the end of the year, a rights issue to shareholders raised \$12.8 million thanks to the support of Gandel Metals Pty Ltd, a company associated with the Alkane director, Mr Ian Gandel. These funds will enable Alkane to fully progress its two development projects during 2008 and establish a strong future for the Company.

I would like to thank my fellow directors, our consultants and exploration team for their continued efforts during the year.

JOHN S F DUNLOP  
Chairman



KPD 002 McPhillamys



Gold in Caloma core



Coarse arsenopyrite and quartz veining in Caloma core

## TOMINGLEY GOLD PROJECT

### GOLD – NEW SOUTH WALES

*Alkane Resources Ltd 100% (subject to separate royalty agreements with Compass Resources NL, Golden Cross Operations Pty Ltd and Climax Mining Ltd)*

The **Tomingley Gold Project (TGP)** extends over 60 kilometres from near Parkes in the south, to north of Tomingley in the Central West of New South Wales and covers a narrow sequence of Ordovician volcanic rocks. The **Wyoming Prospect** is situated about 14 kilometres north of the Company's **Peak Hill Gold Mine** and the area forms one of a number of prospects and gold occurrences located along this volcanic belt.

Gold mineralisation at Wyoming has a close spatial relationship to a feldspar porphyry which intrudes into andesitic volcanoclastic rocks near their western contact with a more pelitic sequence. Mineralisation is associated with extensive alteration and quartz veining of the porphyry and volcanic rocks. Several distinct target areas have been identified to date within a three kilometre corridor extending from McLeans in the south, through **Wyoming One** and **Wyoming Three** in the north which host identified mineral resources. A new deposit was discovered at **Caloma** late in 2006 and most of the exploration effort of 2007 has been directed towards evaluating this discovery. Caloma is located 500 metres east of Wyoming Three

Much of the Wyoming area is covered by transported and unmineralised clay sediments and this has impacted on both the exploration techniques used to locate and define orebodies, and also on development options and costs. This cover ranges from about 5 to 10 metres at Wyoming Three and Caloma, to more than 60 metres over Wyoming Two. The major orebody at Wyoming One averages 25 metres of cover.

A scoping study of the initial Caloma drilling in August 2007 indicated that geological interpretation of the central 300 metre sector of the mineralised porphyry at Caloma enabled a potential tonnage and grade model to be developed for that area. The drilling detail at that time was not sufficient for this body to be assigned as an Identified Mineral Resource but a conceptual range was determined to be 1.5 to 2.0 million tonnes grading 2.5g/t gold to 3.0g/t gold (120,000 to 190,000 ounces). This potential was assigned within a depth of about 100 metres from the surface.

Multiple mineralised structures have been identified within the Caloma target area and the main host is a westerly dipping Wyoming style feldspar porphyry which is 80 to 100 metres in width and 1,000 metres in north-south extent. As a result of the recent drilling a more robust geological model is developing and it is apparent that most of the mineralised structures within the porphyry have a northerly orientation, with a shallow westerly dip. These structures range

in width from a few metres to in excess of 20 metres and appear to extend across the full width of the porphyry host and extend into the eastern volcanoclastic rocks. There is also apparent steeper dipping mineralisation in north-south structures that lie at and near the footwall contact (east) of the porphyry and/or within the underlying volcanics and sediments. Many shallow high grade gold intercepts have been recorded (for example **PE 133 37m @ 8.63g/t Au from 14m**) and have indicated that Caloma has significant potential to add to the resource base for the TGP. Full drilling details are available in ASX releases and Quarterly Reports on the Company web site.

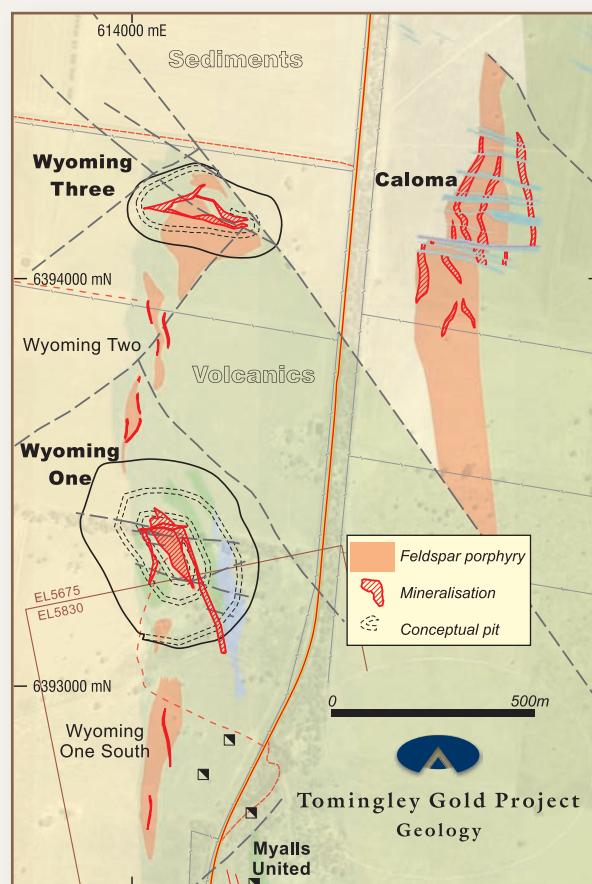
A 10,000 metre RC and 2,500 metre diamond core program was initiated in October to define resources and provide geological, metallurgical and geotechnical data for feasibility studies on the development of the project. As this program advanced it became apparent that the mineralisation at Caloma was more extensive than anticipated and the geological model for the mineralisation had been substantially modified. The program was expanded to 20,000 metres of RC and 5,000 metres of core drilling to fully test the central section of the porphyry host to enable definition of Measured and Indicated Resources.



## FEASIBILITY STUDY

Late in the year a **Definitive Feasibility Study** (DFS) commenced under the management of **Mintrex**, the consulting division of Perth engineering group, Holtfreters Pty Ltd. Mintrex commenced with a program of reviewing all historic information relating to the TGP to define critical issues, and have completed a conceptual plant design and layout. A full metallurgical test program for Caloma, and follow up to the earlier Wyoming One and Wyoming Three data has been scheduled.

Discussions regarding infrastructure issues, including water, power and site access, have been initiated with the appropriate agencies and authorities. While general industry operating costs have escalated over the last few years, the TGP is located in an area of substantial existing infrastructure with the major Newell Highway transecting the project, linking a number of towns with a regional population base exceeding 150,000. No camp facilities are required and the workforce can be sourced locally. A natural gas pipeline and railway are located five kilometres west of Tomingley, and power is available from the New South Wales state grid. These factors should help minimise the impact of rising costs. Water supply remains an issue but it is thought that a pipeline could be laid from established sources near Narromine, 40 kilometres to the north of the project site.



The current conceptual development consists of three open pit mines, Wyoming One, Wyoming Three and Caloma, followed by possible underground operations. Initial gold production would be through a conventional CIL gold recovery circuit at an open pit mining rate of around 1.0 million tonnes per annum. This treatment rate would recover an average of 70,000 ounces of gold a year for a minimum of five years. It is anticipated that the DFS should be completed by late 2008 and hopefully a development decision by early 2009.

At 31 December 2007, **Identified Mineral Resources** at **Wyoming** stood at:

WYOMING RESOURCES (>0.75G/T AU CUT OFF)

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		OUNCES
	TONNAGE (t)	GRADE (g/t)	TONNAGE (t)	GRADE (g/t)	TONNAGE (t)	GRADE (g/t)	TONNAGE (t)	GRADE (g/t)	
Wyoming One	4,020,000	2.25	1,010,000	2.77	1,270,000	4.09	6,300,000	2.70	547,700
Wyoming Three	815,000	2.20	15,000	2.32			830,000	2.20	58,700
<b>TOTAL</b>	<b>4,835,000</b>	<b>2.24</b>	<b>1,025,000</b>	<b>2.76</b>	<b>1,270,000</b>	<b>4.09</b>	<b>7,130,000</b>	<b>2.70</b>	<b>606,400</b>

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.





## PEAK HILL GOLD MINE

Final rehabilitation involving major works in reshaping, topsoiling and seeding of the heaps to create a long-term stable landform has been completed but the office infrastructure and exploration base will remain until development at Tomingley is completed.

The significant (**450,000 ounce**) but moderately refractory sulphide gold-copper orebody below the oxide mine remains subject to ongoing review and will be re-assessed following successful development at Tomingley. Several process options were previously trialled and an innovative bio-heap leach was considered the most favourable alternative. The proximity to the town of Peak Hill houses and infrastructure however, means any mine development would be underground.

As at December 31 2007, **Identified Mineral Resources at Peak Hill** remained as:

Sulphide (Proprietary orebody only) 0.5g/t gold cut off

### INDICATED RESOURCES

9.44 million tonnes	1.35g/t Au	0.11% Cu
---------------------	------------	----------

### INFERRED RESOURCES

1.83 million tonnes	0.98g/t Au	0.10% Cu
---------------------	------------	----------

### TOTAL

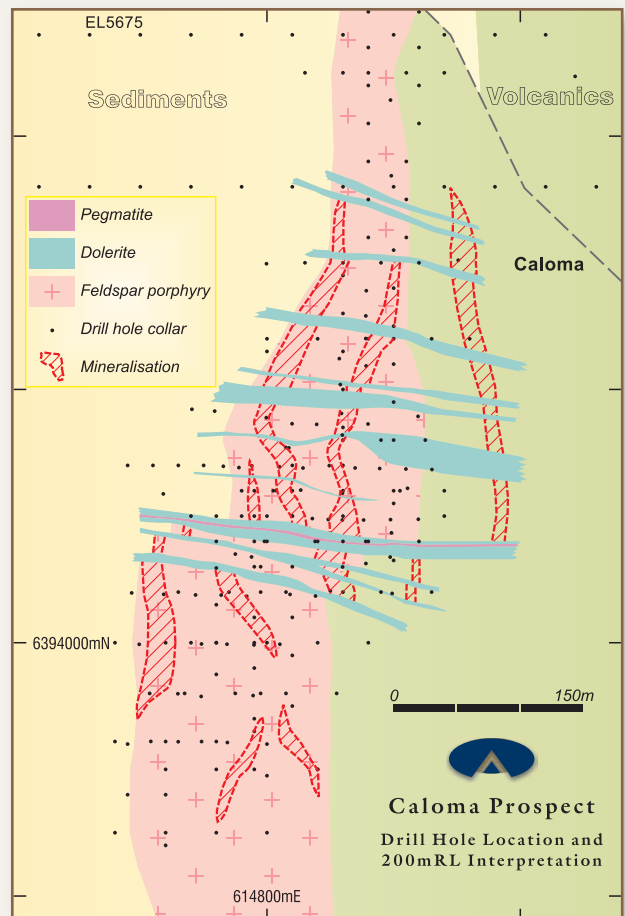
11.27 million tonnes	1.29g/t Au	0.11% Cu	467,570 ounces
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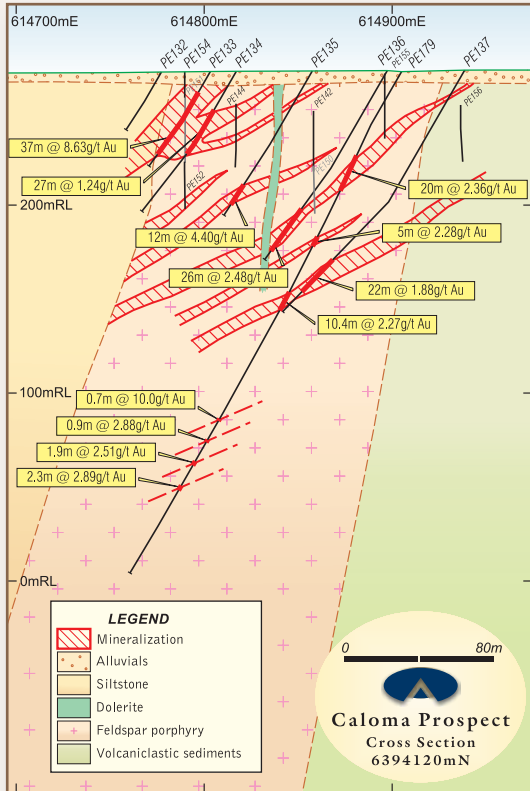
Sulphide (Proprietary orebody only) 3.0g/t gold cut off

### INFERRED RESOURCES

0.81 million tonnes	4.40g/t Au	114,000 ounces
---------------------	------------	----------------

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**DUBBO ZIRCONIA PROJECT**

ZIRCONIUM-HAFNIUM, NIOBIUM-TANTALUM, YTTRIUM-RARE EARTHS, URANIUM – NSW

*Australian Zirconia Ltd (AZL) 100%*

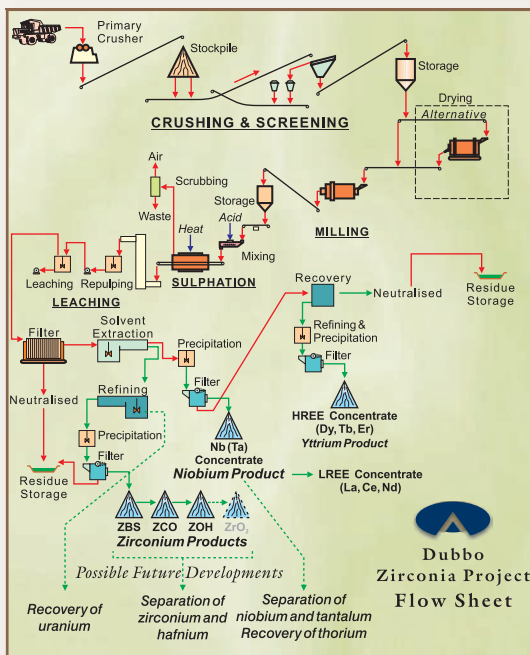
The Dubbo Zirconia Project (DZP) is located 20 kilometres south of the large regional centre of Dubbo in the Central West Region of New South Wales. The DZP is based upon one of the world’s largest in-ground resources of the metals zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements.

Over several years the Company has developed a flow sheet consisting of sulphuric acid leach followed by solvent extraction recovery and refining to produce several products. This flow sheet has been trialled to Mini Pilot Plant level, to recover a suite of zirconium chemicals, zirconia, a niobium-tantalum concentrate and a yttrium-rare earth concentrate which are used in the expanding ceramic, catalyst, electronics, batteries and magnets, engineering ceramic, and specialty glasses and alloys industries.

The Perth based specialist zircon, titanium mineral and pigment industry consultants, **TZ Minerals International Pty Ltd**, continued to provide process and marketing advice, and project management for the DZP feasibility studies.

Process optimisation and development work commenced at the laboratory facilities of **ANSTO Minerals** at Lucas Heights south of Sydney in July 2006. ANSTO Minerals is a business unit of the Australian Nuclear Science and Technology Organisation and comprises a group of over 30 professional scientists and technicians with expertise that covers chemical engineering, metallurgy, mineralogy, chemistry, physics, applied mathematics, geology and radiation safety. ANSTO is one of Australia’s premier research facilities.

Construction of a **Demonstration Pilot Plant (DPP)** commenced in the second half of 2007 and after several months delay caused by slow component delivery, was nearing completion early in 2008. The DPP is designed to test the complete flowsheet, providing process and engineering data, but most importantly, several tonnes of the various products for distribution to potential end users. The plant is scheduled to be operated for at least six months to process 100 tonnes of ore and this could be extended to twelve months (additional 100 tonnes) depending upon



DPP kiln



DPP solvent extraction circuit



any process issues and the amount of sample products required to be distributed to potential consumers. The feasibility database will be progressively updated to enable a development decision to be advised by the middle of 2009.

A major review of the current market for DZP products was completed by the Project's consultants late in the year and the study focussed on the three separate product streams of zirconium, niobium and yttrium-rare earth elements.

Current world consumption of **zirconium** products is about 100,000tpa (ZrO<sub>2</sub> equivalent), roughly split 50% each to fused zirconia and zirconium chemicals. The market is very diverse with applications in electronics, ceramics, catalysts, special alloys and glasses, fuel cells, nuclear power and as environmental stable drying agents.

The overall zirconium (+hafnium) chemical and zirconia industries are showing annual growth rates of 8%, while specific areas of the industry, such as advanced ceramics and catalysts, range up to 13%pa. Prices have remained relatively stable after two years of growth and range from around US\$4/kg for basic chemical, through to US\$25/kg for electronic grade zirconia. The expansion of the nuclear power industry will also impact on the zirconium and hafnium metal demand. Nuclear grade zirconium metal and hafnium metal are US\$250 and US\$350/kg respectively.

The dominant use for **niobium** is in ferro-niobium for HSLA steels, and hence demand and pricing have been driven by rapid growth in the steel industry in the last five years, particularly in China and India. 2006/07 consumption was around 80,000 tonnes of Nb<sub>2</sub>O<sub>5</sub> equivalent. Average annual growth for the last four years has been near to 14% and an ongoing growth at around 10% is anticipated. During 2007, prices jumped from a recent level base around US\$15/kg to in excess of US\$60/kg. Longer term prices are estimated to range from US\$25 to \$37/kg.

The **yttrium** and **rare earth** industry is also very diverse and products have multiple uses, and hence growth rates vary for individual elements.

Overall the rare earth industry has a projected five year growth rate of 12.5% but the use of specific rare earths, such as neodymium and dysprosium, in batteries and permanent magnets is expected to accelerate as these show increasing demand in the developing hybrid and electric car industry.

China currently produces around 90% of the world's consumption of about 117,000 tonnes (as rare earth oxides) and its decision to both restrict export of raw materials and increase the export tax on those rare earths has resulted in a dramatic increase in pricing and demand outside of China. On the basis of current pricing, TZMI indicated that the base value of the yttrium concentrate should be around US\$13/kg and the rare earth concentrate, about US\$8.50/kg. Early in 2008, with further changes in China's rare earth strategy and demand, this price was closer to US\$11/kg.

Using the base case conceptual development of a 200,000tpa ore processing and simple product range of an intermediate zirconium chemical, a niobium-tantalum concentrate and yttrium-rare earth concentrates, TZMI estimated that revenue for the Project would be around US\$42.5 million. The revenue would be closer to US\$52 million if the higher niobium price (US\$37/kg) was achieved.

While the current flow sheet and DPP operation are focussed on the "intermediate" product output, there is considerable scope to improve all products, including further value adding with the production of selected higher value separated rare earth oxides. The Dubbo ore deposit contains greater than average yttrium, dysprosium and terbium content than other deposits, and ANSTO is currently reviewing processing options to produce a suite of three products to include yttrium, neodymium with the light rare earths, and dysprosium with heavy rare earths

Also with increasing demand, particularly with niobium and the rare earths, the potential to increase the start up production rate is significant with the resulting increase in output and revenues. Even at accelerated production rates, the open pit life would be measured in hundreds of years.

*DPP leaching*



*DPP product recovery*



*DPP main shed*



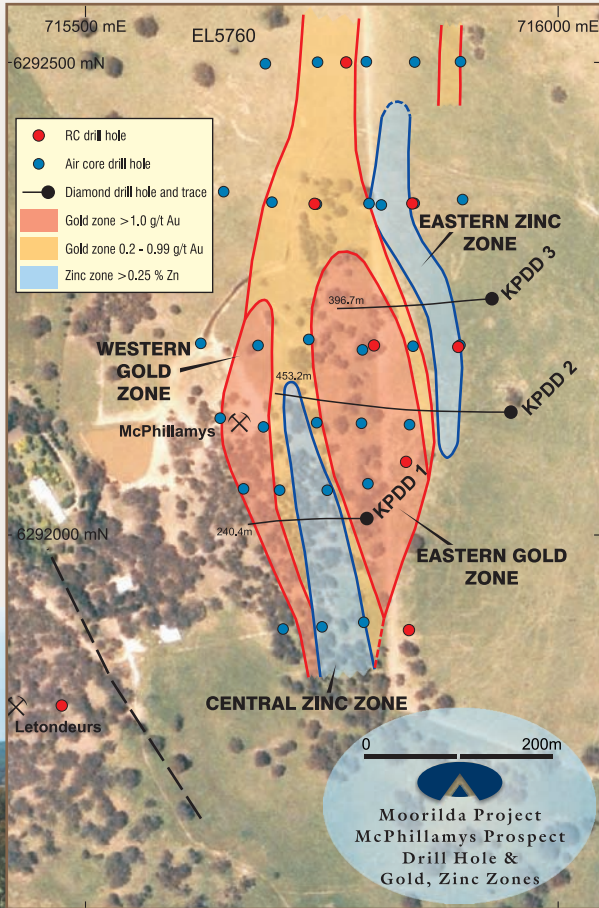
Production of uranium remains prohibited in New South Wales but the current flow sheet requires removal of uranium from the zirconium process stream otherwise it contaminates the end products. The uranium recovered by this process would be stabilised and dispersed in to the residue storage facility. The Project would benefit from the flow on effect of less residue management costs and increased revenue from the sale of a uranium product.

**Identified Mineral Resources** at 31 December 2007 remained at:

MEASURED RESOURCES (0-55m, 340mRL)	35.7 million tonnes	1.96% ZrO <sub>2</sub> , 0.04% HfO <sub>2</sub> , 0.46% Nb <sub>2</sub> O <sub>5</sub> , 0.03% Ta <sub>2</sub> O <sub>5</sub> , 0.14% Y <sub>2</sub> O <sub>3</sub> , 0.014% U <sub>3</sub> O <sub>8</sub> , 0.745% Total REO
INFERRED RESOURCES (55-100m, 295mRL)	37.5 million tonnes	Similar grades
<b>TOTAL</b>	<b>73.2 million tonnes</b>	<b>Similar grades</b>

*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.*





## ORANGE DISTRICT EXPLORATION JOINT VENTURE - ODEJV

GOLD, COPPER – NSW

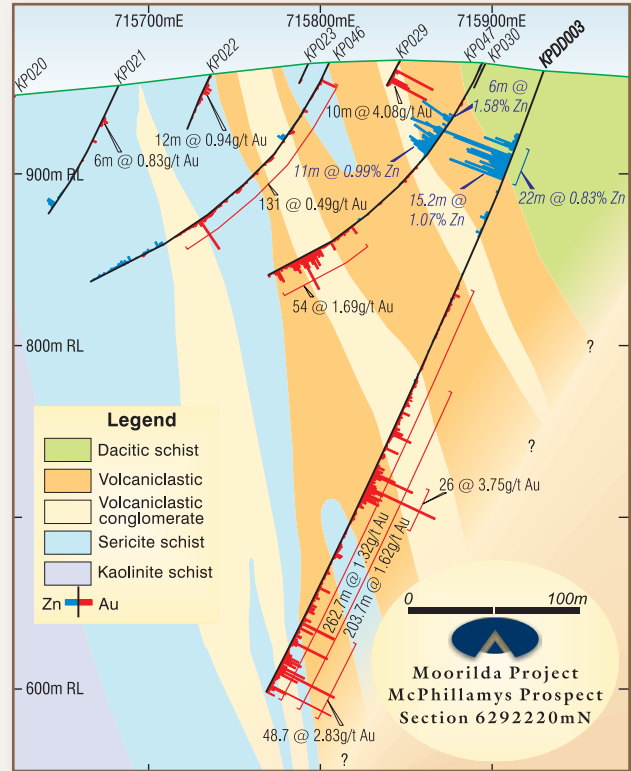
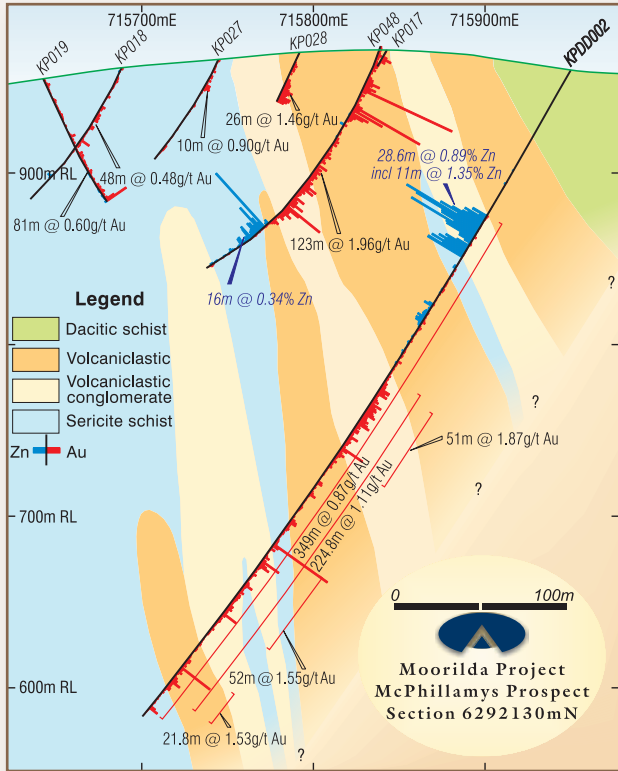
*LFB Resources NL 100%, subject to Newmont Australia Limited earning an initial 51%*

In August 2005, Alkane reached agreement with Newmont Australia Limited (Newmont) to farm-in to Alkane's **Orange Project** which includes the **Molong** and **Moorilda** tenements located near the city of Orange in the Central West of New South Wales, adjacent to Newcrest Mining Ltd's Cadia Valley Operations (~30Moz total resources). Newmont are the Manager and Alkane the Operator of the ODEJV.



KPD 002 McPhillamys





**MOLONG PROJECT**

Early in the year two pre-collared diamond drill holes totalling 674.8 metres were completed to test a strong IP target (chargeability anomaly) within Ordovician andesitic volcanics beneath a Tertiary basalt cap. The IP anomaly was associated with magnetic features which occur within a northwest trending structural corridor thought similar to that which hosts the Cadia-Ridgeway deposits to the south. The location of the drill holes was not optimal as they were drilled within a vineyard with restricted access.

Strong and sometimes massive fracture controlled pyrite with trace chalcopyrite mineralisation was intersected in both drill holes and is interpreted to be the source of the IP anomaly. A later fault controlled sericite-arsenopyrite alteration overprints the assemblage. Only minor gold and copper values were returned from half core samples with better results of 3 metres grading 0.5g/t gold and peak 1 metre of 1570ppm copper. There were some associated elevated trace elements such as 1 metre of 394ppm molybdenum which support the concept that the alteration intersected could be peripheral to a porphyry style system.

Further review of the data is planned prior to scheduling of any additional exploration.

**MOORILDA PROJECT**

In 2006 the joint venture reported the discovery of significant gold mineralisation within altered Silurian aged felsic volcanics and sediments at **McPhillamys**. The mineralisation defined by limited aircore (AC), RC drilling and one diamond core hole, extended over an open north-south 600 metre strike length. Within this area plus 1g/t gold was defined in at least two zones within an area of 300 metres by 200 metres. Zones of plus 1% zinc were also intersected by the drilling.

Following this discovery, Newmont the JV manager, advised that their preference for 2007 was to test several targets in the project area to add to the regional resource inventory potential before drilling out the main zone at McPhillamys. The targets include a number of geological and geophysical features, sites of historic workings and areas that have shown positive geochemical signatures.

As a result of reconnaissance RC and AC drilling follow up of these targets, widespread anomalous gold and base metal results were recorded from several holes testing soil geochemistry and Induced Polarisation (IP) anomalies north and south of the McPhillamys deposit within felsic volcanic and sedimentary sequences similar to that hosting the gold mineralisation at McPhillamys. Encouraging intercepts were returned from

**KP 100** (3m @ 3.9g/t Au from 32m) at **McPhillamys North** and in the **Kings Plains** area, approximately 1.5 kilometres southeast of McPhillamys, where two holes **KP 081** (16m @ 1.60g/t Au from 3m) and **KP 082** (35m @ 0.52g/t Au from the surface) also intersected mineralisation.

Late in 2007 two diamond core holes, **KPD 002** (453.2m) and **KPD 003** (396.7m) were drilled into the central section of the McPhillamys deposit to test the down dip, down plunge extent of the gold and base metal mineralisation. Both holes intersected extensively altered felsic volcanoclastic sediments, with extensive sulphide mineralisation and sporadic quartz veining.

Half core results from both holes demonstrated extensive gold mineralisation over very significant intervals down to a vertical depth of 350 metres and have confirmed that McPhillamys hosts a very large gold system.

Table 1: Summary drill core results for KPD 002 McPhillamys Prospect.

HOLE NO	EAST	NORTH	RL (m)	AZIMUTH	INCLIN	INTCPT (m)	GRADE (g/t Au)	INTERVAL (m)	EOH (m)	COMMENTS		
KPD 002	715950	6292130	~950	270°	60°	349.25	0.87	97.75 – 447	453.2	0.2g/t envelope		
incl						224.75	1.16	207 – 431.75		>0.5g/t Au		
and						51	1.87	212 - 263		>1.0g/t Au		
incl						15	2.52	226 - 241				
and						52	1.55	326 - 378		>1.0g/t Au		
incl						2	10.59	326 - 328				
and						7	2.34	335 - 342				
also						21.75	1.53	410 – 431.75		>1.0g/t Au		
						INTCPT (m)	GRADE (%Zn)	GRADE (%Pb)	GRADE (g/tAg)	GRADE (g/t Au)	INTERVAL (m)	
KPD 002						28.65	0.89	0.11	5.0	0.21	97.75 – 126.4	E zinc zone
incl						11	1.35	0.20	4.5	0.20	103 - 114	E zinc zone

Gold analysis by 30g fire assay and base metals by ICP at generally 1 metre half core intervals. True widths are about 85% of intersection

Table 2: Summary drill core results for KPD 003 McPhillamys Prospect.

HOLE NO	EAST	NORTH	RL (m)	AZIMUTH	INCLIN	INTCPT (m)	GRADE (g/t Au)	INTERVAL (m)	EOH (m)	COMMENTS		
KPD 003	715930	629225396.30	~950	270°	70°	262.7	1.32	134 – 396.7	396.7	0.2g/t envelope		
incl						203.7	1.62	193 – 396.7		>0.5g/t Au		
and						26	3.75	250 - 276		>1.0g/t Au		
and						9	5.91	262 - 271				
also						48.7	2.83	348 – 396.7		>1.0g/t Au		
and						13.1	4.73	320.9 - 334				
						INTCPT (m)	GRADE (%Zn)	GRADE (%Pb)	GRADE (g/tAg)	GRADE (g/t Au)	INTERVAL (m)	
KPD 003						22	0.83	0.14	3.9	0.02	46 – 68	E zinc zone
incl						15	1.07	0.19	4.6	0.03	53 - 68	E zinc zone

Gold analysis by 30g fire assay and base metals by ICP at generally 1 metre half core intervals. True widths are about 75% of intersection

A major drilling program is being planned for 2008 with the aim of achieving a preliminary resource potential for McPhillamys.



**WELLINGTON**

COPPER, GOLD – NSW

*Alkane Resources Ltd 100%*

The Wellington Project is centred 15 kilometres to the southeast of the town of Wellington. The project hosts several targets, including the **Federal** gold and **Galwadgere** copper-gold prospects. The Galwadgere deposit, which has been the focus of most of the recent exploration effort, is located adjacent to favourable infrastructure, being three kilometres from the main Western Railway, near to power and water.

The Company carried out a drilling program in 2004-5 which has enabled an initial shallow resource to be calculated at **Galwadgere**. The Identified Mineral Resource at 31 December 2007 at 0.5% copper cut off is:-

**INDICATED RESOURCE**

2.09 million tonnes	0.99% Cu and 0.3g/t Au
---------------------	------------------------

*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*

During the year a 3D IP survey was completed covering the Galwadgere copper deposit and the immediate area of 3 kilometres by 2 kilometres. A number of moderate to strong chargeability anomalies were generated and, importantly, the existing Galwadgere mineralisation was clearly mapped. Apart from Galwadgere, three well defined targets were generated. Two of these are located near the small historic McDowells workings, while the third is just to the east of the outcropping mineralisation (1% Cu, 14% Pb, 8% Zn, 400g/t Ag and 7.5g/t Au) at Christies. No drilling has previously tested these areas.

The IP also clearly identified down plunge extensions to the Galwadgere deposit not tested by Alkane’s resource drilling program. Previous core drilling returned ~44m @ 0.7% Cu including 0.25m @ 3.00% Cu, 15.5g/t Au, 230g/t Ag at a down hole depth of 262m in core hole G040 from this zone. Other less well defined targets are located to the west and southeast of Galwadgere.

Commitments on other major projects prevented follow up to these targets during the year.

**BODANGORA AND CUDAL**

GOLD, COPPER – NSW

*Alkane Resources Ltd 100% (subject to 2%NSR and buy back option to Rio Tinto Exploration Pty Limited)*

Both projects are considered to have potential for monzonite porphyry associated gold – copper and structural gold mineralisation but as with Wellington, commitments on other major projects limited follow up this year

**LEINSTER REGION JOINT VENTURE**

NICKEL, GOLD – WA

*Alkane Resources Ltd 25%, Jubilee Mines NL 75%*

During the year Jubilee advised that very limited work was carried out on any the three prospects, **LEINSTER DOWNS, MIRANDA and McDONOUGH LOOKOUT** within the joint venture.

**BC IRON LIMITED (BCI)**

Alkane retains its 9 million shares (~15%) in BCI. During the year BCI announced a number of very encouraging drill intercepts within the Nullagine Channel Iron prospect. A preliminary resource estimate is scheduled for the first quarter of 2008.

*Unless otherwise stated this report is based on information compiled by Mr D I Chalmers, FAusIMM, FAIG, (director of the Company) who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ian Chalmers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*





## ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY REVIEW

Alkane is committed in all its activities to compliance with all laws and regulations in relation to environment and occupational health and safety. The Company strives to improve its standards in parallel with industry best practice for both the Peak Hill Gold Mine operations and exploration.

### RISK POLICY & FRAMEWORK REVIEW

Alkane undertook a review of its risk policy and framework during 2007. Deloitte (Perth) facilitated a risk assessment workshop for Alkane Directors and staff. Alkane is committed to actively managing risks to its operations.

### OCCUPATIONAL HEALTH AND SAFETY

The number of personnel employed at the Peak Hill Gold Mine has contracted with mine closure. Exploration personnel continue to access the Peak Hill Gold Mine facilities to support their activities on the Tomingley Gold Project 15km to the north of Peak Hill.

Alkane also maintains exploration bases in Dubbo and Orange to service the eastern Central West tenements.

There were no lost time injuries in 2007.

### OH&S RESULTS 2005-2007

	MAN HRS	2005		MAN HRS	2006		MAN HRS	2007	
		LTIS	MINOR INJURIES		LTIS	MINOR INJURIES		LTIS	MINOR INJURIES
Alkane	11,440	0	2	10,800	0	0	7,200	0	0
Contractors	5,560	0	0	0	0	0	0	0	0
Visitors		0	0		0	0	0	0	0
<b>Total</b>	<b>17,000</b>	<b>0</b>	<b>2</b>	<b>10,800</b>	<b>0</b>	<b>0</b>	<b>7,200</b>	<b>0</b>	<b>0</b>

## ENVIRONMENTAL MANAGEMENT IN 2007

There are currently in place 19 Approvals and Licences for the mining and processing operation, access to water and for pipeline routes. There were no breaches of environmental requirements either at the mine site or on the group's exploration tenements in 2007.

During 2007, the mine was in compliance with all consent conditions and approvals. An Annual Environmental Management Report meeting was held on site 12 December 2007 with Parkes Shire Council, Department of Environment and Climate Change and Department of Primary Industries – Mineral Resources in attendance.

Wet plant decommissioning continued through 2007. The carbon regeneration kiln was dismantled and transported to ANSTO Minerals for use in the Dubbo Zirconia Project Demonstration Pilot Plant.

The area of the open cuts and haul roads, including the Open Cut Experience tourist attraction, has reached the status of final rehabilitation and has been "signed off" by the regulatory authorities.

Operation of the Open Cut Experience (tourist mine) was transferred to Parkes Shire Council in 2007. This tourism asset has the potential to continue to generate economic activity in the local area, post mine-closure.

The Peak Hill Gold Mine, essentially on care and maintenance, is still a contributor to the local economy and community. Alkane took on three new employees during 2007 to cope with increased exploration activity on the Tomingley Gold Project and Moorilda tenements.

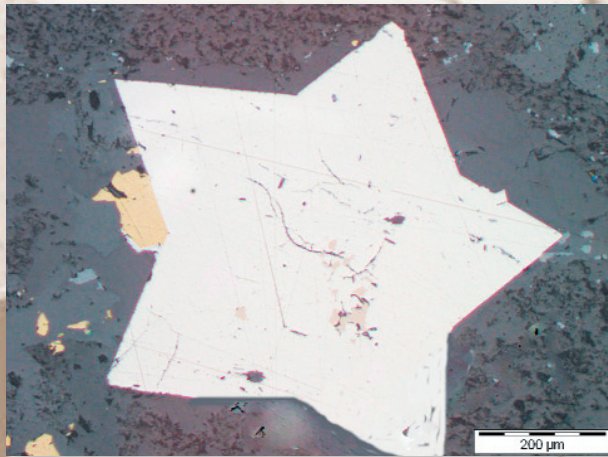
Three local organizations and charities were assisted by the Peak Hill Gold Mine in 2007.

There were no complaints received by the Company in 2007.

Alkane is committed in all its activities to compliance with all laws and regulations in relation to environment and occupational health and safety. The Company strives to improve its standards in parallel with industry best practice for both the Peak Hill Gold Mine operations and exploration.



ALKANE RESOURCES LTD



FINANCIAL STATEMENTS

*Coarse arsenopyrite in Caloma core*



# 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 2007.

## DIRECTORS

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

J S F Dunlop (Chairman)

D I Chalmers

I R Cornelius

I J Gandel

A D Lethlean

## PRINCIPAL ACTIVITIES

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

## RESULTS

The net amount of consolidated loss of the economic entity for the financial year after income tax was \$1,325,615 (2006 loss \$3,655,095).

## DIVIDENDS

No dividends have been paid by the Company during the financial year ended 31 December 2007, nor have the directors recommended that any dividends be paid.

## REVIEW OF OPERATIONS

The Company continues to advance its core projects at Tomingley and Dubbo in New South Wales, where feasibility studies are in progress for the development of the Wyoming gold deposits and the strategically important Dubbo Zirconia Project (DZP) respectively. Further drilling is in progress on the recently discovered Caloma deposit, adjacent to Wyoming, and a feasibility study for the development at Tomingley is scheduled to be completed late 2008.

The program of process optimisation for the DZP continued at the ANSTO facilities located at Lucas Heights near Sydney. The construction of the Demonstration Pilot Plant was completed and operation commenced early 2008. The feasibility study should be completed early to mid 2009.

Work also continues on the Orange District Exploration Joint Venture with Newmont Australia where the significant gold discovery at McPhillamys was enhanced by two deep diamond core drill holes late in the year.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

## EVENTS SUBSEQUENT TO BALANCE DATE

On 2 January 2008, 25,783,436 ordinary fully paid shares were issued at an issue price of 32 cents each. These shares were issued in accordance with the underwriting agreement to the non-renounceable rights issue under the Prospectus dated 19 November 2007.

At the date of signing this report, the quoted shares disclosed as available for sale financial assets with a value of \$13,680,000 have value of \$9,765,000. The decline in value of these assets has not been reflected in the financial statements.

Other than this no other matter or circumstance has arisen since 31 December 2007 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 2007.

## LIKELY DEVELOPMENTS

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

## ENVIRONMENTAL REGULATION

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

## MINING

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



**EXPLORATION**

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

**GENERAL**

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

**PARTICULARS OF DIRECTORS****JOHN STUART FERGUSON DUNLOP (Non-Executive Chairman)**

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

Mr Dunlop (57) is a consultant mining engineer with over 36 years surface and underground mining experience both in Australia and overseas. He is a former director of the Australian Institute of Mining and Metallurgy (2001 - 2006) and is currently Chairman of its affiliate, the Mineral Industry Consultants Association. John is non-executive chairman of Alliance Resources Ltd and of Drummond Gold Ltd (appointed 1 August 2007) and non-executive director of Gippsland Ltd. Former public company directorships in the last three years are: Encore Metals NL (November 1999 to November 2006). Mr Dunlop is a member of the Audit Committee.

**DAVID IAN (IAN) CHALMERS (Managing Director)**

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

Mr Chalmers (59) 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 38 years, during which time he has had experience in all facets of exploration through feasibility and development to the production phase.

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

**IAN RAYMOND (INKY) CORNELIUS (Non-executive Director)**

FAICD

Mr Cornelius (67) has had over 40 years experience in the minerals and petroleum industry. He spent the first nine years of his career with the Western Australian Department of Mines before leaving to manage his own tenement consulting business. Since 1976, he has held senior executive positions in a number of public exploration and mining companies. In this capacity, he has had extensive experience and success in the selection, management and development of deposits of many commodities.

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

**IAN JEFFREY GANDEL (Non-executive Director)**

LLB, BEc, FCPA, FAICD

Mr Gandel (50) 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 now holds and explores tenements in its own right in Victoria, Western Australia and Queensland. Ian is also a non-executive director of Alliance Resources Ltd.

Mr Gandel is a member of the audit committee.

**ANTHONY DEAN LETHLEAN (Non-executive Director)**

BAppSc(geology)

Mr Lethlean (44) is a geologist with 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers and currently consults to Cartesian Capital Pty Ltd. Mr Lethlean is a non-executive director of Alliance Resources Ltd.

Mr Lethlean is Chairman of the audit committee.

**COMPANY SECRETARY****LINDSAY ARTHUR COLLESS**

CA, JP (NSW), FAICD

Mr Colless (62) is a member of the Institute of Chartered Accountants in Australia with 15 years experience in the profession and a further 28 years experience in Commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director. He is a director and/or secretary of a number of public listed companies.

**NOMINATION COMMITTEE**

The Nomination Committee comprises the full Board.

## DIRECTORS' MEETINGS

The following sets out the number of meetings of the Company's directors held during the year ended 31 December 2007 and the number of meetings attended by each director.

There were five (5) Directors' meetings, two (2) Audit and one (1) Remuneration Committee meetings held during the financial year.

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

DIRECTOR	BOARD OF DIRECTORS		AUDIT		COMMITTEE MEETINGS NOMINATION		REMUNERATION	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
J S F Dunlop	5	5	2	2	-	-	1	1
D I Chalmers	5	5	n/a	n/a	-	-	1	1
I R Cornelius	5	4	n/a	n/a	-	-	1	1
I J Gandel	5	5	2	2	-	-	1	1
A D Lethlean	5	4	2	2	-	-	1	1

## SHARE OPTIONS

Options to take up ordinary shares in the capital of Alkane Resources Ltd have been granted as follows.

Outstanding as at the date of this report:

**Unlisted options –  
exercisable at 40 cents on or before 24 May 2007**

Outstanding as at date of this report	Nil
Outstanding at end of the financial period	Nil
Outstanding at beginning of the financial period	500,000
Expired during the financial period	(500,000)

**Unlisted options –  
exercisable at 60 cents on or before 24 May 2007**

Outstanding as at date of this report	Nil
Outstanding at end of the financial period	Nil
Outstanding at beginning of the financial period	4,750,000
Expired during the financial period	(4,750,000)

**Unlisted Options –  
exercisable at 45 cents on or before 29 May 2008**

Outstanding as at date of this report	975,000
Outstanding at end of the financial period	975,000
Granted during the financial period	Nil
Exercised during the financial period	Nil

**Unlisted Options –  
exercisable at 25 cents on or before 30 September 2008**

Outstanding as at date of this report	3,350,000
Outstanding at end of the financial period	3,350,000
Granted during the financial period	4,200,000
• vesting 19 April 2007	4,200,000
Exercised during the financial period	(850,000)

**Unlisted Options –  
exercisable at 30 cents on or before 30 September 2009**

Outstanding as at date of this report	4,200,000
Outstanding at end of the financial period	4,200,000
Granted during the financial period	4,200,000
• vesting 19 April 2008	4,200,000
Exercised during the financial period	Nil

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



**DIRECTORS' INTERESTS AND BENEFITS**

- a) technical services and geological consulting fees of \$583,442 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year five technical and support staff, including Mr Chalmers, were employed to carry out work programs for the Company on an as needs basis.
- b) consulting fees of \$7,263 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.
- c) amounts of \$3,600 paid or due and payable to Rocky Rises Pty Ltd, a company in which Mr Lethlean has a substantial financial interest, for consulting services provided in the normal course of business and at normal commercial rates.
- d) consulting fees of \$8,000 and underwriting fees of \$451,121 paid or due and payable to Gandel Metals Pty Ltd, a company in which Mr Ian Gandel has a substantial financial interest and
- e) administration, accounting and secretarial fees of \$126,000 paid or due and payable to a company in which Mr Colless has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.

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

**REMUNERATION REPORT**

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

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

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

**A. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION (AUDITED)**

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

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

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

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

***Non-executive directors***

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

***Director's fees***

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

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

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



## B. DETAILS OF REMUNERATION (AUDITED)

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
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.	1,761,752	993,384	1,646,458	881,247

The details of directors' remunerations paid or payable or payments to related companies for services provided are as follows:

### EXECUTIVE DIRECTOR OF ALKANE RESOURCES LTD

NAME	SHORT-TERM BENEFITS CASH SALARY \$	SHORT-TERM BENEFITS CASH FEES AND DISBURSEMENTS \$	POST-EMPLOYMENT BENEFITS SUPERANNUATION \$	LONG-TERM BENEFITS \$	SHARE-BASED PAYMENT \$	TOTAL \$
2007						
DI Chalmers	60,000	583,442*	-	-	107,647	751,089

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

No long term or termination benefits have been paid.

### NON-EXECUTIVE DIRECTORS OF ALKANE RESOURCES LTD

NAME	SHORT-TERM BENEFITS DIRECTORS' CASH FEES \$	SHORT-TERM BENEFITS CASH FEES AND DISBURSEMENTS \$	POST-EMPLOYMENT BENEFITS SUPERANNUATION \$	LONG-TERM BENEFITS \$	SHARE-BASED PAYMENT \$	TOTAL \$
2007						
J S F Dunlop	50,000	7,263	-	-	107,647	164,910
I R Cornelius	40,000	-	-	-	107,647	147,647
I J Gandel	40,000	459,121*	-	-	48,006	547,127
A D Lethlean	39,732	3,600	-	-	107,647	150,979
	169,732	469,984	-	-	370,947	1,010,663

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



## OTHER KEY MANAGEMENT PERSONNEL

NAME	SHORT-TERM	SHORT-TERM	POST-EMPLOYMENT	LONG-TERM	SHARE-BASED	TOTAL
	BENEFITS CASH FEE \$	BENEFITS CASH FEES AND DISBURSEMENTS \$	BENEFITS SUPERANNUATION \$	BENEFITS \$	PAYMENT \$	
<b>2007</b>						
L Colless	126,000*	-	-	-	107,647	233,647

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

No long term or termination benefits have been paid.

The share-based payments referred to above comprise options over ordinary shares in the Company issued upon listing of the Company on ASX Limited and have been valued based on the Black and Scholes option pricing model.

## EXECUTIVE DIRECTORS OF ALKANE RESOURCES LTD

NAME	SHORT-TERM	SHORT-TERM	POST-EMPLOYMENT	LONG-TERM	SHARE-BASED	TOTAL
	BENEFITS CASH SALARY \$	BENEFITS CASH FEES AND DISBURSEMENTS \$	BENEFITS SUPERANNUATION \$	BENEFITS \$	PAYMENT \$	
<b>2006</b>						
DI Chalmers	15,000	521,662*	-	-	-	536,662
I R Cornelius	-	75,000	-	80,000	-	155,000
L A Colless	-	92,475**	-	-	-	92,475
Total	15,000	689,137	-	80,000	-	784,137

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

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

No long term or termination benefits have been paid.





## NON-EXECUTIVE DIRECTORS OF ALKANE RESOURCES LTD

NAME	SHORT-TERM BENEFITS DIRECTORS' CASH FEE \$	SHORT-TERM BENEFITS CASH FEES AND DISBURSEMENTS \$	POST-EMPLOYMENT BENEFITS SUPERANNUATION \$	LONG-TERM BENEFITS \$	SHARE-BASED PAYMENT \$	TOTAL \$
<b>2006</b>						
J S F Dunlop	25,000	7,288	-	-	-	32,288
I R Cornelius	20,000	1,200	-	-	-	21,200
I J Gandel	16,667	-	-	-	-	16,667
A D Lethlean	37,200	20,100	-	-	-	57,300
H D Kennedy	26,667	-	-	-	-	26,667
	125,534	28,588	-	-	-	154,122

## OTHER KEY MANAGEMENT PERSONNEL

NAME	SHORT-TERM BENEFITS CASH FEE \$	SHORT-TERM BENEFITS CASH FEES AND DISBURSEMENTS \$	POST-EMPLOYMENT BENEFITS SUPERANNUATION \$	LONG-TERM BENEFITS \$	SHARE-BASED PAYMENT \$	TOTAL \$
<b>2006</b>						
L Colless	-	55,125*	-	-	-	55,125

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

### C. SERVICE AGREEMENTS (AUDITED)

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

#### D I CHALMERS

Term of agreement - 2 years commencing October 2006

#### Agreement

Managing director retainer of \$60,000 per annum payable to Leefab Pty Ltd in which Mr Chalmers has a substantial financial interest pursuant to a formal agreement for an initial term of two years commencing 1 October 2006.

Geological consulting and management services provided by Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest, pursuant to a formal agreement for an initial term of two years commencing 1 October 2006.

#### Termination

Fees of up to 6 months "Notice Amount" are payable should the consultancy agreement with MultiMetal Consultants Pty Ltd be terminated.

#### L A COLLESS

Term of agreement – on going commencing July 2006

#### Agreement

Consulting fees of \$7,000 per month payable to Mineral Administration Services Pty Ltd, a company in which Mr Colless has a substantial financial interest.

#### Termination

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

#### NON – EXECUTIVE DIRECTORS

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Boards policies and terms, including compensation, relevant to the office of the director.

No performance related bonuses or benefits are provided.

J S F DUNLOP

*Agreement*

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

*Termination*

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

R CORNELIUS

*Agreement*

Retainer payable to Goldtrek Pty Ltd as trustee for the Lewis Trust, of which Mr Cornelius is a beneficiary, of \$40,000 per annum plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

*Termination*

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

J GANDEL

*Agreement*

Retainer payable to Gandel Metals Pty Ltd in which Mr Gandel has a substantial financial interest of \$40,000 per annum plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

*Termination*

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

A D LETHLEAN

*Agreement*

Retainer payable to Rocky Rises Pty Ltd, in which Mr Lethlean has a substantial financial interest, of \$40,000 per annum plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

*Termination*

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

D. SHARE-BASED PAYMENTS (AUDITED)

*Options granted during the year*

In the financial period, 6,000,000 unlisted options were granted to Directors and key management personnel of which 1,000,000 options were issued to the Managing Director and 5,000,000 to Non-Executive Directors and key management personnel.

The unlisted options were granted for no consideration as an incentive bonus upon appointment to the Board. The options carry no dividend or voting rights. In relation to the 500,000 options issued to the Managing Director and 2,500,000 options issued to Non-Executive Directors and key management personnel these are exercisable at any time. In relation to the remaining 3,000,000 options issued to the Directors and key management personnel these are exercisable at the vesting dates listed below. When exercised, each option is convertible into one ordinary share.

The 6,000,000 free (unlisted) options comprise:

DATE OPTIONS GRANTED	NUMBER AND CLASS UNDER OPTION	ISSUE /EXERCISE PRICE OF SHARES	VALUE PER OPTION AT GRANT DATE	EXERCISE / EXPIRY DATES
1,000,000 Options, granted to the Managing Director, divided into two classes as follows:				
19 April 2007	500,000 (Tranche 1)	\$0.25	\$0.119	Between 19 April 2007 and 30 September 2008
19 April 2007	500,000 (Tranche 2)	\$0.30	\$0.144	Between 19 April 2008 and 30 September 2009
4,000,000 Options, granted to the Non-Executive Directors and 1,000,000 options to the Company Secretary, as follows:				
19 April 2007	2,500,000 (Tranche 1)	\$0.25	\$0.119	Between 19 April 2007 and 30 September 2008
19 April 2007	2,500,000 (Tranche 2)	\$0.30	\$0.144	Between 19 April 2008 and 30 September 2009



NAME	NUMBER OF OPTIONS GRANTED		NUMBER OF OPTIONS VESTED	
	2007	2006	2007	2006
<b>Directors of Alkane Resources Ltd</b>				
IR Cornelius	1,000,000	-	500,000	-
A D Lethlean	1,000,000	-	500,000	-
D I Chalmers	1,000,000	-	500,000	-
I J Gandel	1,000,000	-	500,000	-
J S Dunlop	1,000,000	-	500,000	-
<b>Other key management personnel</b>				
Lindsay Colless	1,000,000	-	500,000	-

*Fair value of options granted on 19 April 2007 and expiring on 30/09/2008*

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date (\$0.245) and expected price volatility (104%) of the underlying share, the expected dividend yield (nil) and the risk-free interest rate (6.01%) for the term of the option.

*Fair value of options granted on 19 April 2007 and expiring on 30/09/2009*

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date (\$0.245) and expected price volatility (107%) of the underlying share, the expected dividend yield (nil) and the risk-free interest rate (6.24%) for the term of the option.

**SHARES ISSUED ON EXERCISE OF REMUNERATION OPTIONS**

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

NAME	DATE OF EXERCISE OF OPTIONS	NUMBER OF ORDINARY SHARES ISSUED ON EXERCISE OF OPTIONS	
		2007	2006
<b>Directors of Alkane Resources Ltd</b>			
IJ Gandel	23 November 2007	500,000	-

The amounts paid per ordinary share by the director on the exercise of options at the date of exercise were as follows:

EXERCISE DATE	AMOUNT PAID PER SHARE
23 November 2007	\$0.25

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



E ADDITIONAL INFORMATION – (UNAUDITED)

SHARE –BASED COMPENSATION: OPTIONS

NAME	A REMUNERATION CONSISTING OF OPTIONS	B VALUE AT GRANT DATE \$	C VALUE AT EXERCISE DATE \$	D VALUE AT LAPSE DATE \$	E TOTAL OF COLUMNS B-D \$
IR Cornelius	72.91%	131,651	-	-	131,651
A D Lethlean	71.30%	131,651	-	-	131,651
D I Chalmers	14.33%	131,651	-	-	131,651
I J Gandel	8.77%	72,009	40,024	-	112,033
J S Dunlop	65.28%	131,651	-	-	131,651
L A Colless	46.07%	131,651	-	-	131,651

DIRECTORS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY AS AT THE DATE OF THIS REPORT.

NAME OF DIRECTOR	SHARES HELD DIRECTLY	SHARES HELD INDIRECTLY	OPTIONS HELD DIRECTLY	OPTIONS HELD INDIRECTLY	OPTION EXERCISE CONDITIONS
J S F Dunlop	-	-	-	1,000,000	25c - 30 Sep 2008 30c - 30 Sep 2009
D I Chalmers	4,536	967,148	-	1,000,000	25c - 30 Sep 2008 30c - 30 Sep 2009
R Cornelius	9,450	2,183,609	-	1,000,000	25c - 30 Sep 2008 30c - 30 Sep 2009
J Gandel (a)	-	70,411,964	-	500,000	30c - 30 Sep 2009
A D Lethlean	-	-	-	1,000,000	25c - 30 Sep 2008 30c - 30 Sep 2009

(a) Note: 25,783,436 shares were issued to Abbotsleigh Pty Ltd on 02/01/08 pursuant to an underwriting agreement

KEY MANAGEMENT PERSONNEL

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

**INSURANCE OF OFFICERS AND AUDITORS**

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

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

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

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



## CORPORATE GOVERNANCE

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

### AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

#### AUDITORS' INDEPENDENCE -SECTION 307C

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

"Dear Sirs,

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2007 annual financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Frank Vrachas (Lead auditor)  
Rothsay Chartered Accountants"  
Dated 28 March 2008

#### NON-AUDIT SERVICES

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

#### CONSOLIDATED

2007  
\$

2006  
\$

The following amounts were paid to the auditors

<b>Auditors' remuneration</b>		
- auditing the accounts	48,000	27,000
<b>Non-Audit Services</b>		
- taxation services	8,000	6,000

Signed in accordance with a resolution of the Directors.



D I CHALMERS

Director

Dated at Perth this 28th day of March 2008

# I N C O M E   S T A T E M E N T

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Revenue from continuing operations</b>					
Rent received		49,563	55,010	49,563	55,010
Gold sales		-	229,987	-	229,987
Revenue from sale of assets		3,470	800	3,470	800
Revenue from sale of shares		-	-	-	-
Interest received or due and receivable from other Corporations		284,992	192,748	280,827	188,932
Government grant		834,620	451,511	834,620	451,511
Other revenue		74,578	176,839	74,578	176,839
		<u>1,247,223</u>	<u>1,106,895</u>	<u>1,243,058</u>	<u>1,103,079</u>
<b>Expenses from continuing operations</b>					
Rent		(49,638)	(51,390)	(49,638)	(47,754)
Filing fees		(33,039)	(28,998)	(23,655)	(18,621)
Annual reports		(39,460)	(30,426)	(39,460)	(30,426)
Directors' consulting		(330,884)	(297,455)	(330,884)	(297,455)
Consulting, administration and secretarial		(131,250)	(226,347)	(89,250)	(184,347)
Public relations		(85,792)	(93,369)	(85,792)	(93,369)
Travel, entertainment & seminars		(45,306)	(73,131)	(45,306)	(73,131)
Insurances		(65,817)	(35,621)	(64,860)	(35,189)
Directors fees		-	(26,667)	-	(26,667)
Provision for subsidiaries		-	-	(74,618)	(2,878,619)
Costs of Open Cut Experience		(10,865)	(23,608)	(10,865)	(23,608)
Administration expenses		(119,679)	(117,391)	(122,661)	(121,589)
Royalty		(4,477)	-	(4,477)	-
Audit fees	26	(48,000)	(27,000)	(48,000)	(27,000)
Auditor - other services		(8,000)	(6,000)	(8,000)	(6,000)
Share based remuneration	21	(904,238)	-	(904,238)	-
Depreciation and amortisation		(29,365)	(18,964)	(29,365)	(18,793)
Cost of quoted shares sold		-	-	-	-
Peak Hill operating expenses		(149,163)	-	(149,163)	-
Cost of assets sold		(15,123)	(3,815)	(15,123)	(3,815)
Cost of unmarketable sale		(22,518)	-	(22,518)	-
Exploration costs		(443,261)	(3,227,125)	(413,719)	(391,767)
Provision for quoted shares written back		2,314	-	2,314	-
Provision for depreciation/amortisation		(12,636)	-	(12,636)	-
Provision for Annual leave		(26,641)	-	(26,641)	-
Quoted shares written down		-	(1,950)	-	(1,950)
		<u>(2,572,838)</u>	<u>(4,761,990)</u>	<u>(2,568,555)</u>	<u>(4,752,833)</u>
Loss before income tax		<u>(1,325,615)</u>	<u>(3,655,095)</u>	<u>(1,325,497)</u>	<u>(3,649,754)</u>
Income tax attributable	2	-	-	-	-
Loss for the year		<u>(1,325,615)</u>	<u>(3,655,095)</u>	<u>(1,325,497)</u>	<u>(3,649,754)</u>
Loss attributable to minority interests		55	55	-	-
Loss attributable to members of Alkane Resources Ltd	18	<u>(1,325,560)</u>	<u>(3,655,040)</u>	<u>(1,325,497)</u>	<u>(3,649,74)</u>
Accumulated losses at beginning of financial year		<u>(25,372,742)</u>	<u>(21,717,702)</u>	<u>(25,254,961)</u>	<u>(21,605,207)</u>
Accumulated losses at end of financial year	14	<u>(26,698,302)</u>	<u>(25,372,742)</u>	<u>(26,580,458)</u>	<u>(25,254,961)</u>
<b>Earnings per share for loss attributable to the ordinary equity holders of the Company</b>					
	23	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.02)

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



# BALANCE SHEET

AS AT 31 DECEMBER 2007

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and cash equivalent	19	6,706,623	4,754,600	6,693,676	4,742,765
Receivables	3	419,461	456,397	405,187	448,827
Available for sale financial assets	4	7,950	2,400	7,950	2,400
Other financial assets	5	440,312	1,233,996	335,729	1,133,562
<b>Total Current Assets</b>		<b>7,574,346</b>	<b>6,447,393</b>	<b>7,442,542</b>	<b>6,327,554</b>
<b>Non-Current Assets</b>					
Available for sale financial assets	6	13,680,000	9,000	13,680,000	9,000
Held-to-maturity investments	7	-	-	7,873,538	5,724,149
Property, plant & equipment	8	824,628	791,876	693,637	670,885
Capitalised exploration and evaluation expenditure	9	18,245,597	14,538,922	10,563,438	9,010,199
<b>Total Non-Current Assets</b>		<b>32,750,225</b>	<b>15,339,798</b>	<b>32,810,613</b>	<b>15,414,233</b>
<b>Total Assets</b>		<b>40,324,571</b>	<b>21,787,191</b>	<b>40,253,155</b>	<b>21,741,787</b>
<b>Current Liabilities</b>					
Payables	10	1,452,231	570,016	1,380,649	524,564
Provisions	11	41,984	27,632	41,984	27,632
<b>Total Current Liabilities</b>		<b>1,494,215</b>	<b>597,648</b>	<b>1,422,633</b>	<b>552,196</b>
<b>Non-Current Liabilities</b>					
Provisions	11	130,191	117,902	130,191	117,902
<b>Total Non-Current Liabilities</b>		<b>130,191</b>	<b>117,902</b>	<b>130,191</b>	<b>117,902</b>
<b>Total Liabilities</b>		<b>1,624,406</b>	<b>715,550</b>	<b>1,552,824</b>	<b>670,098</b>
<b>Net Assets</b>		<b>38,700,165</b>	<b>21,071,641</b>	<b>38,700,331</b>	<b>21,071,689</b>
<b>Equity</b>					
Contributed equity	12	50,803,706	46,326,650	50,803,706	46,326,650
Reserves	14	14,477,083	-	14,477,083	-
Accumulated losses	14	(26,698,302)	(25,372,742)	(26,580,458)	(25,254,961)
Total parent entity interest		38,582,487	20,953,908	38,700,331	21,071,689
Outside equity interests in controlled entities		117,678	117,733	-	-
<b>Total Equity</b>		<b>38,700,165</b>	<b>21,071,641</b>	<b>38,700,331</b>	<b>21,071,689</b>

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



STATEMENT OF  
CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2007

NOTE	CONSOLIDATED		PARENT ENTITY	
	2007 \$	2006 \$	2007 \$	2006 \$
Total equity at the beginning of the financial year	21,071,641	19,664,914	21,071,689	19,659,621
Loss for the year	(1,325,615)	(3,655,095)	(1,325,497)	(3,649,754)
Total recognised income and expense for the year	(1,325,615)	(3,655,095)	(1,325,497)	(3,649,754)
Transactions with equity holders in their capacity as equity holders:				
Options exercised	313,891	-	313,891	-
Shares issued (net of costs)	4,163,165	5,061,822	4,163,165	5,061,822
Share based payments	802,847	-	802,847	-
Revaluation of Investments	13,674,236	-	13,674,236	-
	18,954,139	5,061,822	18,954,139	5,061,822
Total equity at the end of the financial year	38,700,165	21,071,641	38,700,331	21,071,689
Total recognised income and expense for the year is attributable to:				
Members of Alkane Resources Ltd	(1,325,560)	(3,655,040)	(1,325,497)	(3,649,754)
Minority interests	(55)	(55)	-	-
	(1,325,615)	(3,655,095)	(1,325,497)	(3,649,754)

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





C A S H F L O W

S T A T E M E N T

FOR THE YEAR ENDED 31 DECEMBER 2007

	NOTE	CONSOLIDATED		PARENT ENTITY	
		2007	2006	2007	2006
		\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>					
Rent received		49,563	55,010	49,563	55,010
Proceeds from gold & silver sales		-	229,987	-	229,987
Payments to suppliers (inclusive of goods and services tax)		(697,505)	(1,802,197)	(616,919)	(1,747,644)
Other income		65,390	107,708	65,390	107,708
Interest received		284,992	192,748	280,827	188,932
Goods and services tax receipts		177,135	479,479	126,486	463,475
<b>Net cash from operating activities</b>	20	<b>(120,425)</b>	<b>(737,265)</b>	<b>(94,653)</b>	<b>(702,532)</b>
<b>Cash Flows from Investing Activities</b>					
Proceeds of sale of plant, property & equipment		3,470	800	3,470	800
Purchase of plant, property & equipment		(64,825)	(53,262)	(54,825)	(36,898)
Proceeds from sale of investment securities		-	-	-	-
Payments for investment securities		-	(9,000)	-	(9,000)
Payments for loans to subsidiaries		-	-	(2,224,009)	(703,100)
Proceeds from sale of investments		-	-	-	-
Loss of cash from deconsolidation		-	-	-	-
Proceeds from security deposits		797,833	-	797,833	-
Payments for security deposits		(4,149)	(486,945)	-	(487,886)
Mine site rehabilitation expenditure		-	-	-	-
Exploration expenditure		(4,149,934)	(1,795,284)	(1,966,958)	(1,146,367)
<b>Net cash provided for investing activities</b>		<b>(3,417,605)</b>	<b>(2,343,691)</b>	<b>(3,444,489)</b>	<b>(2,382,451)</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from issue of shares and options		4,850,983	5,186,595	4,850,983	5,186,595
Cost of share issues		(475,318)	(124,773)	(475,318)	(124,773)
Borrowings		1,114,388	-	1,114,388	-
<b>Net cash flow from financing activities</b>		<b>5,490,053</b>	<b>5,061,822</b>	<b>5,490,053</b>	<b>5,061,822</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,952,023</b>	<b>1,980,866</b>	<b>1,950,911</b>	<b>1,976,839</b>
Cash and cash equivalents at the beginning of the financial year		4,754,600	2,773,734	4,742,765	2,765,926
<b>Cash and cash equivalents at the end of the financial year</b>	19	<b>6,706,623</b>	<b>4,754,600</b>	<b>6,693,676</b>	<b>4,742,765</b>

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



NOTES TO THE  
FINANCIAL  
STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**a) BASIS OF PREPARATION**

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

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

*Compliance with IFRSs*

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

*Historical cost convention*

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

**b) CONSOLIDATION**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alkane Resources Ltd ("the Company") as at 31 December 2007 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Alkane Resources Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

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

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

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

**c) INCOME TAX**

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

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

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

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

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

**d) GOODS AND SERVICES TAX (GST)**

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

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

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

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

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

**e) SEGMENT REPORTING**

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

**f) REVENUE RECOGNITION**

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

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

**g) GOVERNMENT GRANTS**

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

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

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

**h) ROYALTIES AND OTHER MINING IMPOSTS**

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

**i) CASH AND CASH EQUIVALENTS**

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

**j) TRADE AND OTHER RECEIVABLES**

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

**k) FAIR VALUE ESTIMATION**

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

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

**l) PLANT AND EQUIPMENT**

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

**m) INVESTMENTS AND OTHER FINANCIAL ASSETS**

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

**1. STATEMENT OF ACCOUNTING POLICIES (Continued)**

**n) IMPAIRMENT OF ASSETS**

Assets are reviewed for impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units)

Non financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

**o) TRADE PAYABLES**

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

**p) PROVISIONS**

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

**q) LEASES**

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating (Refer Note 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**r) JOINT VENTURES**

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

**s) EXPLORATION EXPENDITURE**

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

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

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

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

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted or planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and

- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

t) **MINERAL TENEMENTS**

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

u) **RESTORATION, REHABILITATION AND ENVIRONMENT EXPENDITURE**

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

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

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

v) **EMPLOYEE BENEFITS**

*Wages and salaries, annual leave and sick leave*

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

*Long service leave*

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

*Superannuation*

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

*Redundancy*

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

w) **CONTRIBUTED EQUITY**

Ordinary shares are classified as equity.

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

x) **EARNINGS PER SHARE**

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

y) **SHARE BASED PAYMENTS**

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

## 1. STATEMENT OF ACCOUNTING POLICIES (Continued)

### z) NEW ACCOUNTING STANDARDS AND UIG INTERPRETATIONS

Certain new accounting standards have been published that are not mandatory for 31 December 2007 reporting periods. The Group has not applied any of the following in preparing this financial report:

AFFECTED STANDARD	NATURE OF CHANGE TO ACCOUNTING POLICY	APPLICATION *
AASB 8: Operating Segments	No impact on accounting policy, affects disclosures in relation to operating segments instead of business and geographical segments for the financial report ending 30 June 2010.	1 January 2009
AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 [AASB5, AASB6, AASB102, AASB 107, AASB119, AASB127, AASB134, AASB136, AASB 1023 and AASB1038]	No impact on accounting policy, affects disclosures only	1 January 2009
AASB 2007-7: Amendments to Australian Accounting Standards [AASB1, AASB2, AASB4, AASB5, AASB107 and AASB128]	No impact on accounting policy, affects disclosures only	1 July 2007
AASB 2007-1: Amendments to Australian Accounting Standards arising from AASB 11	No impact on the consolidated financial report or the parent entity financial statements	1 March 2007
AASB 2007-4: Amendments to Australian Accounting Standards arising from ED 151 and other amendments	No impact on accounting policy or disclosures	1 July 2007
AASB Interpretation 11: Group and Treasury Share transactions	No impact on accounting policy or disclosures	1 March 2007

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

### aa) CRITICAL ACCOUNTING ESTIMATES & JUDGEMENTS

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

#### i) Significant accounting judgements

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

##### *Capitalisation of exploration and evaluation expenditure*

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

#### ii) Significant accounting estimates and assumptions

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

##### *Impairment of capitalised exploration and evaluation expenditure*

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

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

As at 31 December 2007, the carrying value of exploration expenditure of the group is \$18,245,597.



	CONSOLIDATED		PARENT ENTITY	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>2. INCOME TAX EXPENSE</b>				
a) Income tax expense				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	(1,325,615)	(3,655,095)	(1,325,497)	(3,649,754)
Prima facie tax payable at 30 %	(397,685)	(1,096,528)	(397,649)	(1,094,926)
Add: tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Share based payments	271,271	-	271,271	-
	(126,414)	(1,096,528)	(126,378)	(1,094,926)
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised				
Potential tax benefit at 30%	10,193,198	10,066,784	10,232,077	10,105,699
d) Unrecognised temporary differences				
Deferred tax liabilities – capitalised exploration	(5,473,679)	(4,361,677)	(3,169,031)	(2,703,060)
Deferred tax assets – accrued expenses	51,653	-	51,653	-
Deferred tax assets – revenue tax losses	10,193,198	10,066,784	10,232,077	10,105,699
Net deferred tax asset not recognised	10,244,851	10,066,784	10,283,730	10,105,699
Net deferred tax asset	4,771,172	5,705,107	7,114,699	7,402,639

Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and there is a legally recognised right to set off.

### 3. TRADE AND OTHER RECEIVABLES (CURRENT)

Debtors including GST refunds	419,461	456,397	405,187	448,827
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### 4. AVAILABLE FOR SALE FINANCIAL ASSETS (CURRENT)

Quoted Shares - At fair value				
Opening balance at 1 January	2,400	4,350	2,400	4,350
Disposals	-	-	-	-
Net gain (loss) from fair value adjustment	5,550	(1,950)	5,550	(1,950)
Closing balance at 31 December	7,950	2,400	7,950	2,400



	CONSOLIDATED		PARENT ENTITY	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>5. OTHER FINANCIAL ASSETS (CURRENT)</b>				
Interest bearing deposits	-	800,000	-	800,000
Interest bearing security deposits (not available for use)	440,312	433,996	335,729	333,562
	<u>440,312</u>	<u>1,233,996</u>	<u>335,729</u>	<u>1,133,562</u>
Deposits bear a weighted average interest at the rate of 6.96% (2006: 6.1%)				
<b>6. AVAILABLE FOR SALE FINANCIAL ASSETS (NON-CURRENT)</b>				
Quoted Shares - At fair value				
Opening balance at 1 January	9,000	-	9,000	-
Additions	-	9,000	-	9,000
Net gain (loss) from fair value adjustment	13,671,000	-	13,671,000	-
Closing balance at 31 December	<u>13,680,000</u>	<u>9,000</u>	<u>13,680,000</u>	<u>9,000</u>
The shares referred in this note are subject to ASX Limited restrictions on trading until December 2008.				
<b>7. HELD-TO-MATURITY INVESTMENTS (NON-CURRENT)</b>				
Shares in controlled entities - carried at cost (Note 18)				
Opening balance at 1 January	-	-	5,865,565	5,865,565
Closing balance at 31 December	<u>-</u>	<u>-</u>	<u>5,865,565</u>	<u>5,865,565</u>
Loans to (from) subsidiaries At fair value				
Opening balance at 1 January	-	-	2,740,066	2,036,966
Addition	-	-	2,224,007	703,100
Closing balance at 31 December	<u>-</u>	<u>-</u>	<u>4,964,073</u>	<u>2,740,066</u>
Net gain (loss) from fair value adjustment	-	-	(2,956,100)	(2,881,482)
	<u>-</u>	<u>-</u>	<u>7,873,538</u>	<u>5,724,149</u>
<b>8. PROPERTY, PLANT AND EQUIPMENT</b>				
Property, plant & equipment - at cost	1,025,304	975,845	866,996	827,537
Less: Accumulated depreciation	(200,676)	(183,969)	(173,359)	(156,652)
	<u>824,628</u>	<u>791,876</u>	<u>693,637</u>	<u>670,885</u>
Reconciliation of carrying amount				
Opening balance at 1 January	791,876	761,447	670,885	656,649
Plant & equipment acquired during year	64,826	53,263	54,826	36,899
Disposals	(15,367)	(3,815)	(15,367)	(3,815)
Depreciation during year	(16,707)	(19,019)	(16,707)	(18,848)
Closing balance at 31 December	<u>824,628</u>	<u>791,876</u>	<u>693,637</u>	<u>670,885</u>





	CONSOLIDATED		PARENT ENTITY	
	2007 \$	2006 \$	2007 \$	2006 \$

## 9. EXPLORATION AND DEVELOPMENT EXPENDITURE (NON-CURRENT)

Peak Hill Mine development at fair value	1	1	1	1
Peak Hill Project acquisition and exploration at fair value				
Opening balance at 1 January	1,000,000	2,630,849	1,000,000	500,000
Expenditure during the period	14,545	5,163	14,545	5,163
Net gain (loss) from fair value adjustment	(14,545)	(1,636,012)	(14,545)	494,837
Closing balance at 31 December	1,000,000	1,000,000	1,000,000	1,000,000
Accumulated contributions to other ongoing exploration projects at fair value				
Opening balance at 1 January	13,538,922	13,339,911	8,010,198	7,755,598
Expenditure during the period	3,854,913	1,531,135	1,671,936	882,218
Net gain (loss) from fair value adjustment	(148,239)	(1,332,124)	(118,697)	(627,618)
Closing balance at 31 December	17,245,596	13,538,922	9,563,437	8,010,198
	18,245,597	14,538,922	10,563,438	9,010,199

### OTHER (NON-CURRENT)

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

## 10. TRADE AND OTHER PAYABLES (CURRENT LIABILITIES)

Trade creditors	1,452,231	570,016	1,380,649	524,564
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## 11. PROVISIONS (CURRENT LIABILITIES)

Provision for annual leave	41,984	27,632	41,984	27,632
Provision for rehabilitation	-	-	-	-
	41,984	27,623	41,984	27,632

### PROVISIONS (NON-CURRENT LIABILITIES)

Provision for redundancy/long service leave	130,191	117,902	130,191	117,902
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	PARENT ENTITY			
	2007		2006	
	NUMBER	\$	NUMBER	\$
<b>12. CONTRIBUTED EQUITY</b>				
Share Capital				
Ordinary shares – Fully paid	215,888,726	50,803,706	200,543,468	46,326,650
<b>Movements in ordinary share capital</b>				
Opening balance at 1 January	200,543,468	46,950,472	165,999,501	41,763,877
Rights issue	14,495,258	4,638,483	7,781,976	1,167,296
Rights shortfall	-	-	1,762,066	264,310
Vendor issue*	-	-	100,000	20,000
Placement	-	-	24,899,925	3,734,989
Exercise of options**	850,000	313,891	-	-
Closing balance at 31 December	215,888,726	51,902,846	200,543,468	46,950,472
Less: Costs of Issues	-	(1,099,140)	-	(623,822)
<b>As per Balance Sheet</b>	215,888,726	50,803,706	200,543,468	46,326,650

\* In 2006 the Company issued 100,000 shares to a vendor for the purchase of mineral interests within a tenement.

\*\* In 2007 an amount of \$101,391 was transferred from Share based payments Reserve to Share Capital on exercise of options.

**Terms and conditions of ordinary shares:**

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



**PARENT ENTITY**  
**2007**                      **2006**  
**NUMBER**                      **NUMBER**

**13. OPTIONS ON ISSUE**

Options – Unlisted

Exercisable at 40 cents expiring 24 May 2007

Movements in these options:

Balance at beginning of year

Exercised during year

Expired during the year

Balance as at 31 December

-                      500,000

500,000                      500,000

-                      -

(500,000)                      -

-                      500,000

Exercisable at 50 cents to 24 May 2006 and at 60 cents thereafter expiring 24 May 2007

Movements in these options:

Balance at beginning of year

Expired during the year

Balance 31 December

-                      4,750,000

4,750,000                      -

(4,750,000)                      -

-                      4,750,000

Exercisable at 45 cents each expiring 29 May 2008

Movements in these options:

Balance at beginning of year

Issued during year

Balance 31 December

975,000                      975,000

975,000                      975,000

-                      -

975,000                      975,000

Exercisable at 25 cents each expiring 30 Sep 2008

Movements in these options:

Balance at beginning of year

Issued during year

Exercised during the year

Balance 31 December

3,350,000                      -

-                      -

4,200,000                      -

(850,000)                      -

3,350,000                      -

Exercisable at 30 cents each vesting 19 Apr 2008 expiring 30 Sep 2009

Movements in these options:

Balance at beginning of year

Issued during year

Balance 31 December

4,200,000                      -

-                      -

4,200,000                      -

4,200,000                      -



	CONSOLIDATED		PARENT ENTITY	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>14. RESERVES AND ACCUMULATED LOSSES</b>				
<b>(A) RESERVES</b>				
Share-based payments reserve	802,847	-	802,847	-
Movement:				
Balance 1 January	-	-	-	-
Employee Option expense	802,847	-	802,847	-
Equity-settled benefits	-	-	-	-
Balance 31 December	802,847	-	802,847	-
Share Investment Revaluation Reserve	13,674,236	-	13,674,236	-
Movement:				
Balance 1 January	-	-	-	-
Revaluation	13,674,236	-	13,674,236	-
Balance 31 December	13,674,236	-	13,674,236	-
<b>(B) ACCUMULATED LOSSES</b>				
Balance 1 January	(25,372,742)	(21,717,702)	(25,254,961)	(21,605,207)
Loss for the year after related income tax expense	(1,325,560)	(3,655,040)	(1,325,497)	(3,649,754)
Balance 31 December	(26,698,302)	(25,372,742)	(26,580,458)	(25,254,961)
<b>(C) NATURE AND PURPOSE OF RESERVES</b>				
The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised and equity-settled benefits issued in settlement of share issue costs and part consideration, in lieu of cash payment, for acquisition of mineral interests.				
<b>15. KEY MANAGEMENT PERSONNEL DISCLOSURE</b>				
<b>A) DIRECTORS</b>				
The names of Directors who have held office during the financial year are:				
Alkane Resources Ltd				
John S F Dunlop, D Ian Chalmers, Ian R Cornelius, Ian J Gandel, Anthony D Lethlean				
Subsidiaries				
LFB Resources NL, Kiwi Australian Resources Pty Ltd, Australasian Geo-Data Pty Ltd, Australian Zirconia Ltd				
Ian R Cornelius, D Ian Chalmers, Lindsay A Colless				
Skyray Properties Ltd (BVI)				
L Thomas				
Executives during year				
D Ian Chalmers (Managing Director)				



## B) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

- a) technical services and geological consulting fees of \$583,442 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year five technical and support staff, including Mr Chalmers, were employed to carry out work programs for the Company on an as needs basis,
- b) consulting fees of \$7,263 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.
- c) amounts of \$3,600 paid or due and payable to Rocky Rises Pty Ltd, a company in which Mr Lethlean has a substantial financial interest, for consulting services provided in the normal course of business and at normal commercial rates.
- d) consulting fees of \$8,000 and underwriting fees of \$451,121 paid or due and payable to Gandel Metals Pty Ltd, a company in which Mr Ian Gandel has a substantial financial interest and
- e) administration, accounting and company secretarial fees of \$126,000 paid or due and payable to a company in which Mr Colless has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.

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

## C) OUTSTANDING BALANCES

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

Current payables – Director's fees

a) A D Lethlean	\$6,666
b) I J Gandel	\$6,666
c) J S Dunlop	\$4,167
d) D I Chalmers	\$5,000

## D) DIRECTORS AND DIRECTOR-RELATED ENTITIES' SHAREHOLDINGS

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

NAME	BALANCE AT THE START OF THE FINANCIAL PERIOD	ISSUED	PURCHASED/ (SOLD)	BALANCE AT THE END OF THE FINANCIAL PERIOD
<b>(1) Shares</b>				
I R Cornelius	1,299,375	-	(195,825)	1,103,550
A D Lethlean	-	-	198,000	198,000
D I Chalmers	809,738	-	161,946	971,684
I J Gandel	33,245,674	-	11,377,134	44,622,808
J S Dunlop	-	-	-	-
<b>Total shares</b>	<b>35,354,787</b>	<b>-</b>	<b>11,541,255</b>	<b>46,896,042</b>
<b>(2) Options</b>				
I R Cornelius	1,000,000	1,000,000	(1,000,000)*	1,000,000
A D Lethlean	1,000,000	1,000,000	(1,000,000)*	1,000,000
D I Chalmers	1,000,000	1,000,000	(1,000,000)*	1,000,000
I J Gandel	-	1,000,000	(500,000)	500,000
J S Dunlop	-	1,000,000	-	1,000,000
<b>Total Options</b>	<b>3,000,000</b>	<b>5,000,000</b>	<b>(3,500,000)</b>	<b>4,500,000</b>

\* Expired during the year



**15. KEY MANAGEMENT PERSONNEL DISCLOSURE (Continued)**

E) KEY MANAGEMENT PERSONNEL COMPENSATION

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.

F) RELATED PARTY TRANSACTIONS

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

**16. SEGMENTAL INFORMATION**

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

**17. RELATED PARTY TRANSACTIONS**

Directors (current)

TYPE OF TRANSACTION	RELATED PARTY DIRECTORS	TERMS AND CONDITIONS	CONSOLIDATED		PARENT ENTITY	
			2007 \$	2006 \$	2007 \$	2006 \$
Management consulting Director's retainer	J S F Dunlop	Normal commercial	7,263 50,000	7,288 25,000	7,263 50,000	7,288 25,000
Geological consulting, including geological and technical support staff Director's retainer	D I Chalmers	Normal commercial	583,442 60,000	521,662 15,000	468,148 60,000	451,524 15,000
Management consulting Director's retainer	I R Cornelius	Normal commercial	- 40,000	156,200 20,000	- 40,000	156,200 20,000
Director's consulting Director's retainer	I J Gandel	Normal commercial	8,000 40,000	- 16,667	8,000 40,000	- 16,667
Consulting Directors' retainer	A D Lethlean	Normal commercial	3,600 39,732	20,100 37,200	3,600 39,732	20,100 37,200
Underwriting agreement	I J Gandel	3.5% of underwritten value (2006: 5%)	451,121	71,580	451,121	71,580



## 18. CONTROLLED ENTITIES

NAME	INC	CLASS	BOOK VALUE		EQUITY		CONTRIBUTION TO GROUP	
			2007	2006	2007	2006	2007	2006
			\$	\$	%	%	\$	\$
Australian Zirconia Ltd	WA	Ord	1	1	100	100	(21,146)	(23,546)
Skyray Properties Ltd	BVI	Ord	2,300,000	2,300,000	100	100	(7,127)	(2,255,774)
Kiwi Australian Resources Pty Ltd	NSW	Ord	-	-	100	100	-	-
LFB Resources NL	NSW	Ord	3,558,700	3,558,700	100	100	(46,251)	(604,428)
Australasian Geo-Data Pty Ltd	Qld	Ord	6,864	6,864	74	74	(157)	(157)
			<u>5,865,565</u>	<u>5,865,565</u>				
Contribution to Group Profit (Loss) after minorities							(74,681)	(2,883,905)
Parent –Alkane Resources Ltd							(1,250,879)	(771,135)
Profit (loss) for year – group							<u>(1,325,560)</u>	<u>(3,655,040)</u>
Loans to (from) subsidiaries			9,570,310	7,346,302				
Provision for loss			<u>(7,562,337)</u>	<u>(7,487,718)</u>				
Parent net investment in subsidiaries			<u>7,873,538</u>	<u>5,724,149</u>				

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$

## 19. RECONCILIATION OF CASH

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

Cash at bank	5,788,359	869,684	5,775,412	857,849
Call deposits	918,264	3,884,916	918,264	3,884,916
	<u>6,706,623</u>	<u>4,754,600</u>	<u>6,693,676</u>	<u>4,742,765</u>

Cash at bank bear a weighted average interest rate of 5.21% (2006: 5.08%)

## 20. RECONCILIATION OF NET CASH OUTFLOW FROM OPERATING ACTIVITIES TO OPERATING LOSS AFTER INCOME TAX

Operating Profit (Loss)	(1,325,615)	(3,655,095)	(1,325,497)	(3,649,754)
Non-cash fair value adjustments				
• Depreciation	16,707	16,730	16,707	16,559
• Movements in Provisions	24,571	(65,747)	99,189	2,812,872
Interest Income	-	-	-	-
Share based payments	904,238	-	904,238	-
Grant received	(834,620)	-	(834,620)	-
Exploration	443,260	3,227,124	413,719	391,767
Loss on sale of assets	11,653	3,015	11,653	3,015
Changes in net current assets and liabilities				
• Decrease (increase) in Trade and other receivables	36,932	(229,989)	43,640	(247,529)
• Decrease (increase) in Trade and other payables	602,449	(33,303)	576,319	(29,462)
Net cash provided for operating activities	<u>(120,425)</u>	<u>(737,265)</u>	<u>(94,652)</u>	<u>(702,532)</u>

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



## 21. SHARE-BASED PAYMENTS

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

### CONSOLIDATED AND PARENT ENTITY 2007

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR (NUMBER)	GRANTED DURING THE FINANCIAL PERIOD (NUMBER)	EXERCISED DURING THE FINANCIAL PERIOD (NUMBER)	EXPIRED DURING THE FINANCIAL PERIOD (NUMBER)	BALANCE AT END OF THE FINANCIAL PERIOD (NUMBER)	VESTED AND EXERCISABLE AT END OF FINANCIAL PERIOD (NUMBER)
<b>Director options</b>								
10 June 2002	24 May 2007	\$0.60	4,000,000	-	-	(4,000,000)	-	-
26 May 2003	24 May 2007	\$0.60	750,000	-	-	(750,000)	-	-
19 April 2007	30 Sep 2008	\$0.25	-	2,500,000	(500,000)	-	2,000,000	2,000,000
19 April 2007	30 Sep 2009	\$0.30	-	2,500,000	-	-	2,500,000	-
<b>Company Secretary options</b>								
19 April 2007	30 Sep 2008	\$0.25	-	500,000	-	-	500,000	500,000
19 April 2007	30 Sep 2009	\$0.30	-	500,000	-	-	500,000	-
<b>Employee/Consultants options</b>								
30 May 2003	29 May 2008	\$0.45	975,000	-	-	-	975,000	975,000
19 April 2007	30 Sep 2008	\$0.25	-	1,200,000	(350,000)	-	850,000	850,000
19 April 2007	30 Sep 2009	\$0.30	-	1,200,000	-	-	1,200,000	-
Weighted average exercise price			\$0.50	\$0.28	\$0.25	\$0.50	\$0.30	\$0.30

### CONSOLIDATED AND PARENT ENTITY 2006

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT THE START OF THE YEAR (NUMBER)	GRANTED DURING THE FINANCIAL PERIOD (NUMBER)	EXERCISED DURING THE FINANCIAL PERIOD (NUMBER)	EXPIRED DURING THE FINANCIAL PERIOD (NUMBER)	BALANCE AT END OF THE FINANCIAL PERIOD (NUMBER)	VESTED AND EXERCISABLE AT END OF FINANCIAL PERIOD (NUMBER)
<b>Director options</b>								
10 June 2002	24 May 2007	\$0.40	500,000	-	-	-	500,000	-
10 June 2002	24 May 2007	\$0.60	4,000,000	-	-	-	4,000,000	-
26 May 2003	24 May 2007	\$0.60	750,000	-	-	-	750,000	-
<b>Employee/Consultants options</b>								
30 May 2003	29 May 2008	\$0.45	975,000	-	-	-	975,000	975,000
Weighted average exercise price			\$0.50				\$0.50	\$0.45

Options granted carry no dividend or voting rights.

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





## (A) DIRECTOR OPTION EXPENSE

### *Fair value of options granted on 19 April 2007 and expiring on 30/09/2008*

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date (\$0.245) and expected price volatility (104%) of the underlying share, the expected dividend yield (nil) and the risk-free interest rate (6.01%) for the term of the option.

### *Fair value of options granted on 19 April 2007 and expiring on 30/09/2009*

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date (\$0.245) and expected price volatility (107%) of the underlying share, the expected dividend yield (nil) and the risk-free interest rate (6.24%) for the term of the option.

## (B) EMPLOYEE OPTION EXPENSE

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

### *Fair value of options granted on 19 April 2007 and expiring on 30/09/2008*

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date (\$0.245) and expected price volatility (104%) of the underlying share, the expected dividend yield (nil) and the risk-free interest rate (6.01%) for the term of the option.

### *Fair value of options granted on 19 April 2007 and expiring on 30/09/2009*

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date (\$0.245) and expected price volatility (107%) of the underlying share, the expected dividend yield (nil) and the risk-free interest rate (6.24%) for the term of the option.

## (C) EXPENSES ARISING FROM SHARE-BASED PAYMENT TRANSACTIONS

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

	CONSOLIDATED		PARENT ENTITY	
	2007	2006	2007	2006
	\$	\$	\$	\$
Director benefits (share options)	645,884	-	645,884	-
Employee/Consultant benefits (share options)	258,354	-	258,354	-
	904,238	-	904,238	-

## 22. SUBSEQUENT EVENTS

On 2 January 2008, 25,783,436 ordinary fully paid shares were issued at an issue price of 32 cents each. These shares were issued in accordance with the underwriting agreement to the non-renounceable rights issue under the Prospectus dated 19 November 2007.

At the date of signing this report, the quoted shares disclosed as available for sale financial assets with a value of \$13,680,000 have a value of \$9,765,000. The decline in value of these assets has not been reflected in the financial statements.

Other than this no other matter or circumstance has arisen since 31 December 2007 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 2007.



### 23. EARNINGS PER SHARE ("EPS")

	CONSOLIDATED		PARENT ENTITY	
	2007 \$	2006 \$	2007 \$	2006 \$
(a) Basic loss per share				
Loss attributable to the ordinary equity holders of the Company	(0.01)	(0.02)	(0.01)	(0.02)
	2007 \$	2006 \$	2007 \$	2006 \$
(b) Earnings used in calculating earnings per share				
Loss attributable to the ordinary equity holders of the Company	(1,325,615)	(3,655,095)	(1,325,497)	(3,649,754)
	2007 NUMBER	2006 NUMBER	2007 NUMBER	2006 NUMBER

The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share

	200,798,126	179,716,591	200,798,126	179,716,591
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The diluted earnings per share is not materially different from the basic earnings per share.

### 24. COMMITMENTS FOR EXPENDITURE

#### MINERAL TENEMENT LEASES

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2008 amounts of approximately \$1,081,000 (2007 \$1,715,000) 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.

### 25. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks.

#### *Credit risk*

The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

#### *Cash flow and fair value interest rate risk*

Although the Company has significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company monitors interest rates to obtain the best terms and mix of cash flow.



### Interest rate risk

The Group's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	VARIABLE INTEREST \$	FIXED MATURITY DATE			TOTAL \$
			LESS THAN 1 YEAR \$	1 TO 2 YEARS \$	NON-INTEREST BEARING \$	
<b>2007</b>						
<b>Financial assets</b>						
Cash	5.76	2,047,577	-	-	4,659,046	6,706,623
Interest bearing deposits	5.87	220,062	200,000	-	20,250	440,312
Investments	-	-	-	-	13,687,950	13,687,950
Receivables	-	-	-	-	419,461	419,461
		2,267,639	200,000	-	18,786,707	21,254,346
<b>Financial liabilities</b>						
Accounts payable	-	-	-	-	(1,452,231)	(1,452,231)
		-	-	-	(1,452,231)	(1,452,231)
<b>2006</b>						
<b>Financial assets</b>						
Cash	5.08	853,730	-	-	15,954	869,684
Call deposits	6.25	-	3,884,916	-	-	3,884,916
Term deposits	6.10	-	1,233,996	-	-	1,233,996
Receivables	-	-	-	-	456,397	456,397
		853,730	5,118,912	-	472,351	6,444,993
<b>Financial liabilities</b>						
Accounts payable	-	-	-	-	(570,016)	(570,016)
		-	-	-	(570,016)	(570,016)

### Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules.

### FINANCING ARRANGEMENTS

The Company has no financing facilities available to it.



**26. AUDITORS REMUNERATION**

	CONSOLIDATED		PARENT ENTITY	
	2007 \$	2006 \$	2007 \$	2006 \$
Amount received or due and receivable by the auditor for:				
a) <b>Audit services</b>				
Audit and review of financial reports under the Corporations Act 2001	48,000	27,000	48,000	27,000
b) <b>Non Audit services</b>				
Income tax return preparation	8,000	6,000	8,000	6,000
Total remuneration of auditors	56,000	33,000	56,000	33,000

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

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



DIRECTORS'  
DECLARATION

In the opinion of the Directors of Alkane Resources Ltd:

- a) the financial statements and notes set out in preceding pages are in accordance with the Corporations Act 2001 including:
  - i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 December 2007 and of their performance for the financial year ending on that date; and
  - ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

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



D I CHALMERS

Director

Perth, 28th March 2008



I N D E P E N D E N T  
A U D I T R E P O R T  
T O T H E M E M B E R S O F  
A L K A N E R E S O U R C E S L T D

## SCOPE

The financial report comprises the income statement, statement of changes in equity, balance sheet, statement of cashflows, accompanying notes, and the Directors' declaration of the group comprising Alkane Resources Ltd, the Company, and the entities it controlled at 31 December 2007 or from time to time during the financial year.

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with 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.

## AUDIT APPROACH

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the directors' report comply with AASB 124 *Related Party Disclosures*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, Australian Accounting Standards and other mandatory professional reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance and whether the remuneration disclosures are in accordance with AASB 124 *Related Party Disclosures*.

We formed our opinion on the basis of these procedures, which included:

- examining on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

## AUDIT OPINION

In our opinion the financial report of Alkane Resources Ltd is in accordance with the Corporations Act 2001, including giving a true and fair view of the financial position of Alkane Resources Ltd and the consolidated entity as at 31 December 2007 and of their performance for the year ended on that date and complying with Australian Accounting Standards and the Corporations Regulations 2001.

The remuneration disclosures that are contained in the remuneration report in the directors' report comply with AASB 124 *Related Party Disclosures*.

ROTHSAY



Frank Vrachas

Partner

Dated 28 March 2008

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



## INTRODUCTION

In accordance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles and Recommendations"), Alkane Resources Ltd ("Company") has made it a priority to adopt 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 Principles and Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Further information about the Company's corporate governance practices is set out on the Company's website at [www.alkane.com.au](http://www.alkane.com.au).

### "IF NOT, WHY NOT" REPORTING

During the financial year ended 31 December 2007 ("Reporting Period") the Company has followed with each of the ASX Principles and Recommendations, other than in relation to the matters specified below.

#### PRINCIPLE 1

**Recommendation 1.1: *Formalise directors' appointments in writing.***

##### Notification of Departure

Formal letters of appointment for the non-executive directors were not put in place until after the Reporting Period.

##### Explanation for Departure

While the directors' appointments were formalised through the regulatory body and approved by shareholders, their appointments were not formalised in writing. Shortly after the Reporting Period the letters were signed and acknowledged and the Company now follows the recommendation.

#### PRINCIPLE 2

**Recommendation 2.4: *The Board should establish a Nomination Committee.***

##### Notification of Departure

No separate nomination committee has been established.

##### Explanation for Departure

The role of the nomination committee is carried out by the full Board. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate nomination committee. To assist the Board in fulfilling its function in this regard, it has adopted a Nomination Committee Charter.

#### PRINCIPLE 9

**Recommendation 9.2: *The Board should establish a Remuneration Committee.***

##### Notification of Departure

No separate remuneration committee has been established.

##### Explanation for Departure

The role of the remuneration committee is carried out by the full Board. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate remuneration committee. To assist the Board in fulfilling its function in this regard, it has adopted a Remuneration Committee Charter.

## NOMINATION COMMITTEE

The full Board carries out the role of a nomination committee in accordance with its Nomination Committee Charter (available on the Company's website). It is usual practice that nomination matters are a standing item at each Board meeting. During the Reporting Period, there were no specific nomination related discussions at the Board meetings.

## AUDIT COMMITTEE

The Audit Committee members are Anthony Lethlean (independent Chair of the Audit Committee), John Dunlop (independent) and Ian Gandel. The Audit Committee held two meetings during the Reporting Period. All Committee members were in attendance at both meetings.

While none of the Audit Committee members have financial qualifications, they all have extensive industry knowledge and are financially literate. Details of each of the director's qualifications are set out in the Director's Report. Further, the Chief Financial Officer 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.



## REMUNERATION COMMITTEE

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report.

The full Board carries out the role of a remuneration committee in accordance with its Remuneration Committee Charter (available on the Company's website). It is usual practice that remuneration matters are a standing item at each Board meeting. During the Reporting Period, remuneration related discussions occurred on two occasions. For one of those occasions Messrs Lethlean and Cornelius were absent from the meeting while the full Board was in attendance at the second meeting that took place.

## OTHER

### SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

A profile of each director containing the applicable information is set out in the Directors' Report.

### IDENTIFICATION OF INDEPENDENT DIRECTORS

In considering the independence of directors, the Board refers to the information set out in Box 2.1 of the ASX Principles and Recommendations ("Independence Criteria"). To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the Company's website.

Applying the Independence Criteria, the independent directors of the Company are John Dunlop and Anthony Lethlean. Notwithstanding the Independence Criteria, the Board considers Ian Gandel and Ian Cornelius to be independent.

The Board considers Ian Gandel to be independent of management and the executive of the Company. Furthermore, Mr Gandel's interests as a major shareholder are considered to be in line with the interests of all other shareholders.

The Board considers Ian Cornelius to be independent of management and the executive of the Company notwithstanding his long tenure as a director of the Company and his previous role as Executive Chairman.

### STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

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 for incurring such expense from the chairperson, the Company will pay the reasonable expenses associated with obtaining such advice.

### CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

During the Reporting Period no formal evaluation of the Board and its members was carried out. However, the composition of the Board and its suitability to carry out the Company's objectives was discussed on an on-going informal basis throughout the Reporting Period.

### EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

There are no termination or retirement benefits for non-executive directors.





# SHAREHOLDER INFORMATION

## 1. SHARE HOLDING AT 31 MARCH 2008 - ALK

### (a) DISTRIBUTION OF SHAREHOLDERS

SHARE HOLDING	NUMBER OF HOLDERS FULLY PAID ORDINARY SHARES
1 - 1,000	178
1,001 - 5,000	830
5,001 - 10,000	477
10,001 - 100,000	1,158
100,001 - over	205
	<u>2,848</u>

### (b) UNMARKETABLE PARCELS

There are 222 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	70,406,244

## 2. TOP TWENTY SHAREHOLDERS AT 31 MARCH 2008

SHAREHOLDER	NUMBER OF SHARES	% ISSUED CAPITAL
Abbotsleigh Pty Ltd	70,411,964	29.13
Merrill Lynch (Australia) Nominees Pty Ltd	18,753,690	7.76
ANZ Nominees Limited	17,456,826	7.22
National Nominees Limited	9,736,200	4.03
Sydney Equities Pty Limited	4,798,000	1.99
Funding Securities Pty Ltd	3,650,000	1.51
Citicorp Nominees Pty Limited	3,482,060	1.44
HSBC Custody Nominees (Australia) Limited	2,774,364	1.15
Pottercorp Pty Ltd	2,240,550	0.93
Riomin Australia Gold Pty Ltd	2,000,000	0.83
Eikofin B V B A	2,000,000	0.83
Lampsac Pty Ltd	1,810,549	0.75
JP Morgan Nominees Australia Limited	1,700,964	0.70
Kinane Holdings Pty Ltd	1,582,820	0.66
RBC Dexia Investor Services Australia Nominees Pty Limited	1,560,065	0.65
Victoria House Finance Limited	1,283,817	0.53
Aquatic Resources Limited	1,277,325	0.53
Spacebull Pty Limited	1,209,000	0.50
Sydney Equities Pty Limited	1,202,000	0.49
RM Dimond & Associates Pty Ltd	1,200,000	0.49
	<u>150,130,194</u>	<u>62.12</u>



### 3. UNLISTED OPTIONS

#### OPTION HOLDING AT 31 MARCH 2008 – ALKAK

Total options exercisable at 45 cents each expiring 29 May 2008	975,000
Number of holders	9
Holdings of more than 20%	
G R Meates & Associates Pty Ltd	250,000

#### OPTION HOLDING AT 31 MARCH 2008 – ALKAS

Total options exercisable at 25 cents each expiring 30 September 2008	2,500,000
Number of holders	8
Holdings of more than 20%	
Mr Ian Cornelius	500,000
Rocky Rises Pty Ltd	500,000
Leefab Pty Ltd	500,000
Mineral Administration Services Pty Ltd	500,000

#### OPTION HOLDING AT 31 MARCH 2008 – ALKAU

Total options vesting 19 April 2008 and exercisable at 30 cents each expiring 30 September 2009	3,000,000
Number of holders	9
Holdings of more than 20%	
Not applicable	

#### OPTION HOLDING AT 31 MARCH 2008 – ALKAW

Total options exercisable at 25 cents each expiring 30 September 2008	850,000
Number of holders	5
Holdings of more than 20%	
Kyim Pty Ltd	250,000
Mr Michael Donald Sutherland & Mrs Kylie Ann Sutherland	250,000
Mineral Administration Services Pty Ltd	250,000

#### OPTION HOLDING AT 31 MARCH 2008 – ALKAY

Total options vesting 19 April 2008 and exercisable at 30 cents each expiring 30 September 2009	1,200,000
Number of holders	7
Holdings of more than 20%	
Kyim Pty Ltd	250,000
Desailly Investments Pty Ltd	250,000
Mr Michael Donald Sutherland & Mrs Kylie Ann Sutherland	250,000
Mineral Administration Services Pty Ltd	250,000

### 4. RESTRICTED SECURITIES

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

### 5. 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

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	] Alkane group 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	]
EL 5548	Dubbo, NSW	100	] Alkane group 100%
MLA 183 Or	Dubbo, NSW	100	]
EL 6320	Wellington, NSW	100	] Alkane group 100%
EL 6700	Wellington, NSW	100	]
EL 5675	Tomingley, NSW	100	]
EL 5830	Tomingley, NSW	100	] Alkane group 100%
EL 5942	Tomingley, NSW	100	]
EL 6085	Tomingley, NSW	100	]
EL 4155	Cudal, NSW	100	]
EL 5851	Cudal, NSW	100	] Alkane group 100%
EL 7020	Cudal, NSW	100	]
EL 4022	Bodangora, NSW	100	] Alkane group 100%
EL 5760	Moorilda, NSW	100	]
EL 6111	Moorilda, NSW	100	] Alkane group 100%
EL 6025	Orange-Molong, NSW	100	] Newmont Australia Ltd earning 51%
EL 6091	Orange-Molong, NSW	100	]
E 46/522	Nullagine, WA	0	] Alkane group retains 60% interest
E 46/523	Nullagine, WA	0	] in diamond potential
E 46/524	Nullagine, WA	0	]
M 36/303	Miranda Well, WA	25	] Jubilee Mines NL holds 75%, Alkane diluting
M 36/329	McDonough, WA	25	] Jubilee Mines NL holds 75%, Alkane diluting
M 36/330	McDonough, WA	25	]
E 36/622	Leinster Downs, WA	25	]
P 36/1601	Leinster Downs, WA	25	]
P 36/1602	Leinster Downs, WA	25	] Jubilee Mines NL holds 75%, Alkane diluting
P 36/1603	Leinster Downs, WA	25	]
P 36/1604	Leinster Downs, WA	25	]
P 36/1605	Leinster Downs, WA	25	]



