ANNUAL REPORT 2008

ALKANE RESOURCES LTD

ACN 000 689 216

CONTENTS

COMPANY INFORMATION

ACN 000 689 216

ABN 35 000 689 216

DIRECTORS
J S F Dunlop
D I Chalmers
I R Cornelius
I J Gandel
A D Lethlean

SECRETARY
L A Colless
K E Brown

REGISTERED OFFICE
129 Edward Street
PERTH WA 6000
Tel: 61 8 9227 5677
Fax: 61 8 9227 8178

TECHNICAL OFFICE
96 Parry Street
Perth WA 6000
Tel: 61 8 9328 9411
Fax: 61 8 9227 6011

SHARE REGISTRY
Advanced Share Registry Services
150 Stirling Highway
NEDLANDS WA 6009
Tel: 61 8 9389 8033
Fax: 61 8 9389 7871

AUDITORS
Rothsay
Chartered Accountants
Level 18, Norwich House
6 O'Connell Street
SYDNEY NSW 2000

STOCK EXCHANGE
ASX Limited

HOME EXCHANGE
Perth

ASX CODE
ALK

INTERNET
Internet Home Page:
http://www.alkane.com.au
E-mail address: mail@alkane.com.au

This financial report covers both Alkane Resources Ltd as an individual entity and the consolidated entity consisting of Alkane Resources Ltd and its subsidiaries. The financial report is presented in the Australian currency.

CHAIRMAN'S REPORT

Alkane has continued the advancements of 2007 with further significant achievements in 2008. Your company is now well positioned to get 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, has progressed following the discovery of the Caloma resource addition in 2007. We now expect the DFS to be completed later in calendar 2009 and for a formal go-ahead announcement to be made soon thereafter.

It is now clear that the additional resources provided by the Caloma deposit will enable the project to proceed at a 0.75 to 1 Mtpa throughput rate and to operate for at least the first five years based on open pit feed alone. Infrastructural requirements, such as land acquisition, power and water are all progressing well and we expect no impediments to completing all necessary project approvals in 2009.

Mintrex (the consulting division of Perth engineering group, Holtfreters Pty Ltd) were appointed the DFS managers in October 2007 and they have been co-ordinating all the aspects of the feasibility study. The recently completed metallurgical program has returned some very encouraging results with plus 90% gold recovery from all deposits and an exceptional plus 50% recovery of gold in a gravity circuit. These results should reflect in lower operating costs for a standard CIL gold recovery circuit to produce an average of 50,000 to 70,000 ounces of gold per year for a minimum of five years. At current spot A$ gold prices, the lower production should be capable of generating cash flows of at least $20 million a year.

The DZP has also made substantial progress during the year. Construction of the Demonstration Pilot Plant (DPP) at ANSTO Minerals was completed early in 2008 and during the year a series of process rectification and de-bottlenecking culminated in a series of processing campaigns which produced both Zirconium and Niobium concentrates for despatch to potential customers.

As mentioned last year, the DPP is designed to test the complete flowsheet, providing process and engineering data, but most importantly, to produce several tonnes of the various products for distribution to potential end users. The aim is to underpin the marketing section of the feasibility study with letters of intent from customers, at a minimum. The data generated by the DPP will be used to update the existing feasibility model which we hope to have completed in 2009.

Another significant opportunity presented by the DZP commenced during the year and will be advanced in 2009 – namely the finalisation of the light and heavy rare earth recovery circuits.

While the demand and pricing for some products flattened at the end of the year as the recessionary influence in the world impacted, long term all products will be subject to increasing demand as the stringent environmental conditions are applied to many industries. Using the base case conceptual development of a 200,000tpa ore processing and simple product range of intermediate zirconium chemicals, a niobium-tantalum concentrate, a light rare earth concentrate and yttrium-heavy rare earth concentrate, the Project's consultants estimated in 2007 that revenue for the Project would be around US$42.5 million. The revenue would be closer to US$50 million if current prices were achieved.

Whilst the TGP and DZP will continue to be the cornerstone of Alkane, the very exciting McPhillamys discovery, first drilled in August 2006 has progressed to the stage where joint venture partner Newmont Australia, is getting close to its initial $5 million expenditure to earn its 51% interest in the project and has assumed operatorship of the joint venture, as expected. Newmont can go to 75% by carrying all expenditures through to completion of a feasibility study.

Newmont's proposals for the 2009 program have not been finalised for McPhillamys but we believe that the prospect has now established a status of major significance to the JV and will be the subject of a major drilling program aimed at producing a maiden resource in 2009.

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. Since we last reported on the company's progress, a resource has been outlined, discussions with Fortescue based on sharing their rail link and port facilities have commenced, and an offtake arrangement has been completed with a Sydney based trading house. BC Iron expects to make its first iron ore shipment at a rate of 1 Mtpa minimum in early 2010. Alkane can be justifiably proud that its spin out has shown success in such a short period, and we congratulate the BCI management both for its energy and excellent progress.

Finally, 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

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 100 kilometres from near Parkes in the south, to the west of Narromine in the north within the Central West of New South Wales and covers a narrow sequence of Ordovician volcanic rocks. Exploration during the year was focussed on the recent discovery at **Caloma**, which is centred about 500 metres east of the defined resources at the **Wyoming One** and **Wyoming Three** deposits. These deposits are 12 kilometres north of the Company's Peak Hill Gold Mine.

The major reverse circulation (RC) and diamond core resource definition drilling program was completed at Caloma mid year with a total of 186 RC holes (22,034 metres) drilled. The program focussed on a 400 metre long central section of the 1,000 metre north-south trending Wyoming style feldspar porphyry host which is located at the contact of pelitic sediments in the west and an andesitic volcanic and volcaniclastic sequence to the east.

The RC program was completed on a 20 metre by 20 metre pattern to ensure the definition of Measured and Indicated Resources to a depth of about 150 metres. Gold mineralisation is known to extend further to the north and south within the porphyry host but it was decided to focus on the central section to compile the resource and open pit mining model as soon as possible to complete a feasibility assessment of the Project.

Multiple mineralised structures have been defined within the main feldspar porphyry host at Caloma, which is 80 to 150 metres in width. As a result of the drilling a robust geological model has been developed and it is apparent that most of the mineralised structures within the porphyry have an approximate 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. Intersecting structures, or structures intersecting lithological contacts, occasionally generate substantial intercepts.

The drilling had also demonstrated that the mineralised structures project through the eastern contact of the porphyry into the volcaniclastic sediments and have expanded the resource potential into that area. East-west, vertical cross cutting dolerite dykes that postdate the mineralisation occur at irregular intervals.

The currently defined Caloma mineralisation remains open at depth, and along strike to the north and south.

Ten core holes totalling 2,571 metres were drilled at Caloma and nine core holes totalling 3,720 metres were also completed at the Wyoming One and Wyoming Three deposits. The core drilling was designed to provide confirmatory geological information, and samples for metallurgical testing and geotechnical data.

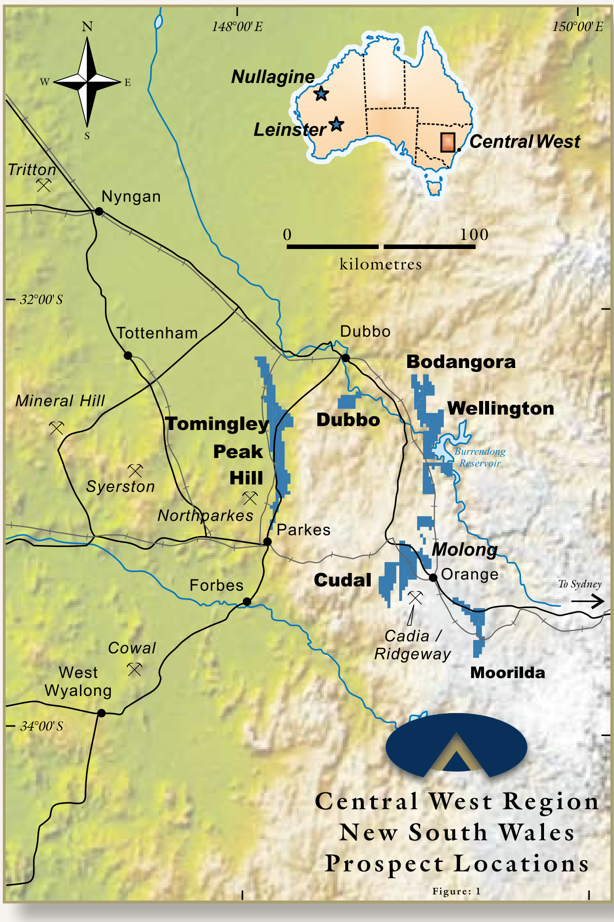
Much of the area is covered by transported and unmineralised clay sediments and this has impacted on both the exploration techniques used to locate and define orebodies, and also on development options and costs. This cover ranges from about 5 to 10 metres at Wyoming Three and Caloma, to more than 60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

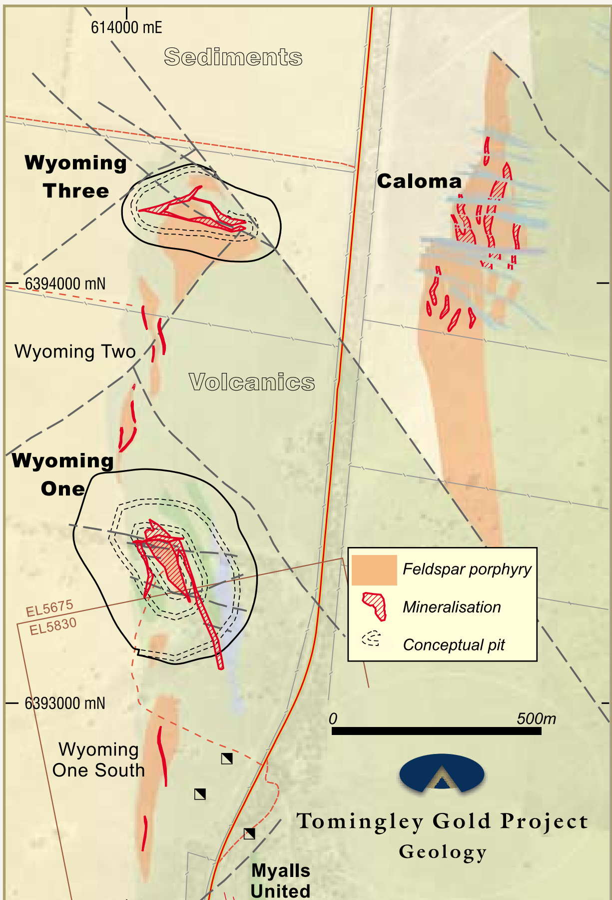
Resource Review and Caloma Compilation

The Wyoming One and Wyoming Three deposits were subject to an independent review and subsequently independent estimates were made along with a new estimate for the Caloma deposit.

The resource work was completed by Richard Lewis of Lewis Mineral Resource Consultants Pty Ltd (LMRC). Mr Lewis (MAusIMM) has over 40 years experience in exploration and project development, including 25 years in resource estimation of gold and base metal projects and mines. Mr Lewis was the Manager of Resource Evaluation for Placer Dome Asia Pacific Limited from 1987 to 2006 and has more than 5 years experience in resource estimation of similar deposits.

Several different resource modelling techniques were employed to generate a number of models and the two extreme cases are summarised in the table below. The "No top cut – mgeol model" was the closest to that used by Alkane in 2005 to produce results for the Wyoming One and Three deposits. Differences in identified resources were caused by deeper drilling of the deposit at Wyoming One changing the shape and extent of mineralisation in the main Porphyry and the nearby Hangingwall ore zones, and differing classification parameters used for this compilation.





Identified Mineral Resources at the TGP as at 24 March 2009, above a cut off of 0.75g/t gold.

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		
No top cut	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	k Ounces
mgeol model	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	
Wyoming One	2,379,000	2.52	878,000	3.07	3,227,000	2.35	6,484,000	2.51	523.2
Wyoming Three	670,000	2.05	44,000	2.02	123,000	1.64	837,000	1.99	53.5
Caloma	1,842,000	2.28	497,000	2.12	1,731,000	1.85	4,070,000	2.08	271.9
Total	**4,891,000**	**2.37**	**1,419,000**	**2.70**	**5,081,000**	**2.16**	**11,391,000**	**2.32**	**848.6**

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		
Top cut	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	k Ounces
2.5x2.5x5.0m model	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	
Wyoming One	2,227,000	2.07	882,000	2.25	3,478,000	1.62	6,587,000	1.86	393.2
Wyoming Three	630,000	1.87	58,000	1.73	154,000	1.25	842,000	1.75	47.3
Caloma	1,825,000	2.06	488,000	1.88	1,559,000	1.52	3,872,000	1.82	226.6
Total	**4,682,000**	**2.04**	**1,428,000**	**2.10**	**5,191,000**	**1.58**	**11,301,000**	**1.84**	**667.0**

These Mineral Resources are based upon information compiled by Mr Richard Lewis MAusIMM (Lewis Mineral Resource 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. Richard Lewis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology are given in the attached Notes 1 and 2.

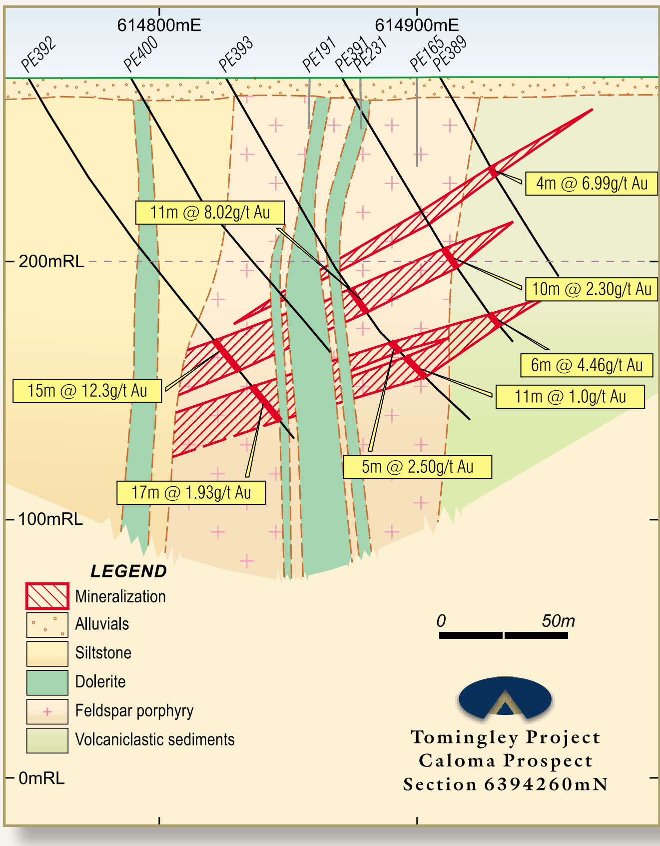
A more conservative model "Top cut 2.5 x 2.5 x 5.0m model" was estimated to provide the basis for open pit mine planning and ultimately Reserve definition for economic review of the project. This model used statistical evaluation to remove high gold grade spikes in the mineralisation and also a smaller internal block size to approximate to that required for optimisation of the deposits for mining.

The full details of the Identified Mineral Resource statement are included as Notes 1 and 2 at the end of this Operations Report.

Definitive Feasibility Study

The DFS was initiated late 2007 and is managed by Mintrex Pty Ltd, the consulting division of Perth engineering group, Holtfreters Pty Ltd with input from Alkane personnel and external consultants. The DFS progressively advanced during the year and many of the infrastructure issues of site access, power, water being resolved.

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 at Peak Hill, 16km to the south of the site.



Water supply will be achieved via a pipeline to be laid from established sources near Narromine, 40 kilometres. These factors should help minimise the impact of rising costs.

A detailed metallurgical assessment of the various deposits is nearing completion and results available were summarised in the ASX release of 25 March 2009. The program was supervised by Metallurgical Project Consultants Pty Ltd and used water for testing taken from a bore site near Narromine (NSW), similar to that planned for the project. The metallurgical work was carried out on recent composited core samples which were divided according to specific deposit and oxidation state.

In general, all samples from the deposits, including oxide and fresh ore, returned plus 90% gold recovery, with average cyanide and lime consumption. Work indices (for crushing and grinding) are near average for the oxide samples but above average for fresh ore. Abrasion Indices are all near average. Gravity gold recoveries were exceptionally high, particularly from the fresh ore samples, with all giving plus 50% recovery. This has the potential to deliver positive cost benefits in an operating treatment plant

In several samples, the calculated head grades were higher than that returned from the original composite core samples, which combined with the high gravity recoveries, could indicate that the drilling samples may have under-called the gold content of the deposits.

Mine planning and scheduling has recently commenced and is designed to provide the optimum operating size for the project.

The conceptual development options comprise three open pit mines, Wyoming One, Wyoming Three and Caloma, followed by possible underground operations. Initial gold production would be through a conventional Gravity-CIL gold recovery circuit at an open pit mining rate of around 0.75 to 1.0 million tonnes per annum. These treatment rates would recover an average of 50,000 to 70,000 ounces of gold a year for a minimum of five years.

Current estimates for the base case development model of the 1Mtpa operation, indicate capital costs would be around A$50 million ± 20%, depending upon sourcing of new plant or the availability of suitable second hand equipment.

The DFS is scheduled for completion mid 2009, and work on the associated Environmental Assessment and Development Consent Application is underway.

Peak Hill Gold Mine

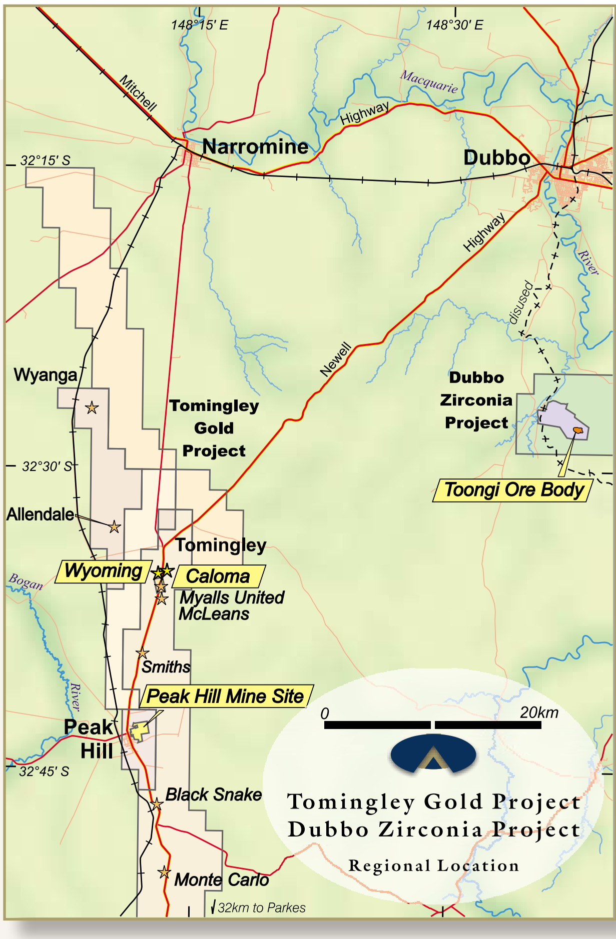
Final rehabilitation involving major works in reshaping, topsoiling and seeding of the heaps to create a long-term stable landform have been completed but the office infrastructure and exploration base will remain until development at Tomingley is completed.

The significant 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 2008, **Identified Mineral Resources** at **Peak Hill** remained as:

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		
0.5g/t gold cut off	**Tonnage** (t)	**Grade** (g/t)	**Tonnage** (t)	**Grade** (g/t)	**Tonnage** (t)	**Grade** (g/t)	**Tonnage** (t)	**Grade** (g/t)	**k Ounces**
Proprietary			9,440,000	1.35	1,830,000	0.98	11,270,000	1.29	467.4
3.0g/t gold cut off	**Tonnage** (t)	**Grade** (g/t)	**Tonnage** (t)	**Grade** (g/t)	**Tonnage** (t)	**Grade** (g/t)	**Tonnage** (t)	**Grade** (g/t)	**k Ounces**
Proprietary					810,000	4.40	810,000	4.40	114.6

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



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 recover a suite of zirconium chemicals, zirconia, a niobium-tantalum concentrate and yttrium-rare earth concentrates which are used in the expanding ceramic, catalyst, electronics, rechargeable batteries and permanent magnets, engineering ceramic, and specialty glasses and alloys industries, as well as the nuclear power industries

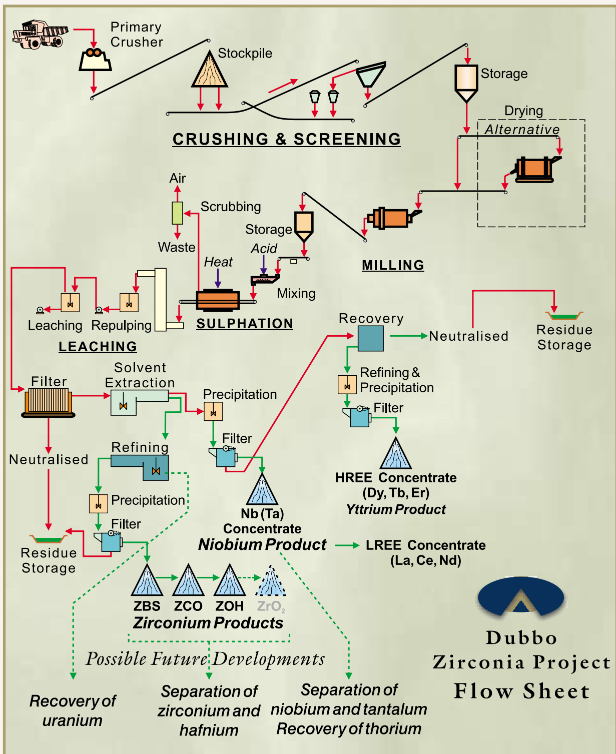
The Perth based specialist zircon, titanium mineral and pigment industry consultants, **TZ Minerals International Pty Ltd**, continued to provide process and marketing advice, and project management for the DZP feasibility studies.

Process optimisation and development work commenced at the laboratory facilities of **ANSTO Minerals** at Lucas Heights south of Sydney in July 2006. A **Demonstration Pilot Plant** (DPP) was constructed and commissioned in May 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 initially process 100 tonnes of ore and this could be extended depending upon any process issues and the amount of sample products required to be distributed to potential consumers

After two continuous process runs of three weeks in August and four weeks in November, the plant had treated about 40 tonnes of ore, producing 51,000 litres of pregnant leach solution with precipitation of 647 kilograms of zirconium basic sulphate wet filter cake and 66 kilograms of niobium concentrate filter cake.

Mechanically the plant functioned efficiently and chemical issues in the solvent extraction circuit were progressively rectified as the operation progressed. While much of the flow sheet data is still being assessed, the preliminary analyses indicated that the plant was producing zirconium and niobium products at planned quality specifications.

Test work to prove the recovery of yttrium and rare earths from the current flow sheet commenced in the laboratory at ANSTO. Work to date has focussed on the recovery of a light rare earth concentrate (La, Ce, Nd, Pr, Sm) from the niobium product precipitate. The test work will continue for optimisation of the LREE recovery and it is anticipated that a program for separation of yttrium and heavy rare earths (Eu, Gd, Tb, Dy) from the waste stream has commenced. It is anticipated that YREE recovery circuit should be incorporated into DPP by the middle of the year.



Two marketing consultants were added to the feasibility team during the year and they have commenced work to identify and initiate discussions with potential customers for the project's products. Distribution of samples from the DPP should commence in the second quarter of the year. The consultants, in conjunction with the TZMI marketing group, continue to monitor market developments and will prepare a product strategy as the year progresses.

While the demand and pricing for some products flattened at the end of the year as the recessionary influence in the world impacted, long term all products will be subject to increasing demand as the stringent environmental conditions are applied to many industries. Using the base case conceptual development of a 200,000tpa ore processing and simple product range of intermediate zirconium chemicals, a niobium-tantalum concentrate, a light rare earth concentrate and yttrium-heavy rare earth concentrate, TZMI estimated in 2007 that revenue for the Project would be around US$42.5 million. The revenue would be closer to US$50 million if current prices were achieved.

With increasing demand, 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.

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 2008 remained at:

Toongi Deposit	Tonnage (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	REO (%)	U_3O_8 (%)
Measured	**35.70**	1.96	0.04	0.46	0.03	0.14	0.75	0.014
Inferred	**37.50**	1.96	0.04	0.46	0.03	0.14	0.75	0.014
TOTAL	**73.20**	1.96	0.04	0.46	0.03	0.14	0.75	0.014

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

Alkane Resources Ltd 100%, subject to Newmont Australia Limited earning an initial 51%

In August 2005, Alkane reached agreement with Newmont Australia Limited (Newmont) to farmin 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 (~50Moz total resources).

Exploration work during 2008 focused on the **McPhillamys** prospect which is located within the Moorilda Project. In 2006 the joint venture reported the discovery of significant gold mineralisation within altered Silurian aged felsic volcanics and sediments at McPhillamys. Follow up drilling in late 2007 confirmed extensive gold mineralisation over a strike length of 300 metres and widths up to 200 metres.

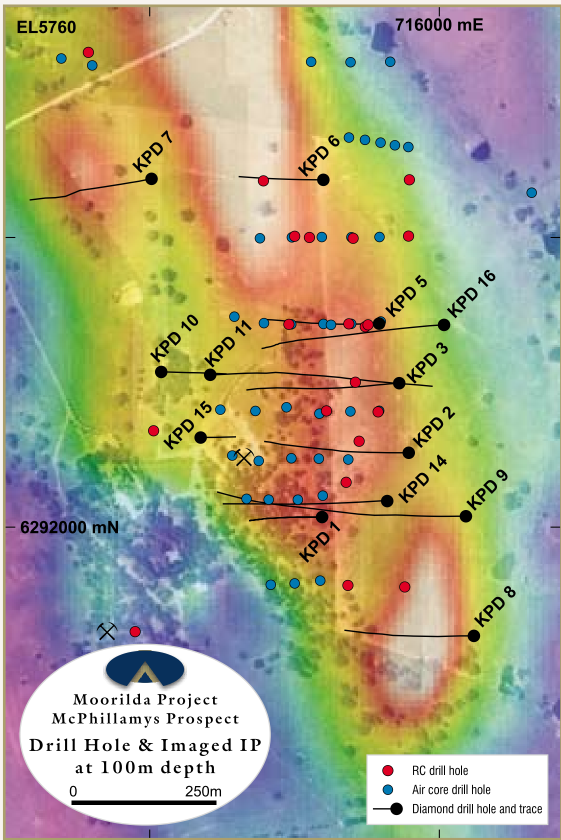
During the year, fourteen core holes totalling 5,203 metres, including the extension to KPD003 drilled late 2007 (final result **KPD003 366 metres @ 1.86g/t gold**) and fifteen RC holes for 3,312 metres were completed. The drilling largely concentrated in the central or main zone at McPhillamys, but holes also tested adjacent pole-dipole induced polarisation (PDIP) chargeability anomalies to the north, south and west of McPhillamys, and at Kings Plains located about 2 kilometres to the southeast where **KPD004** intersected **78 metres @ 1.04g/t gold**.

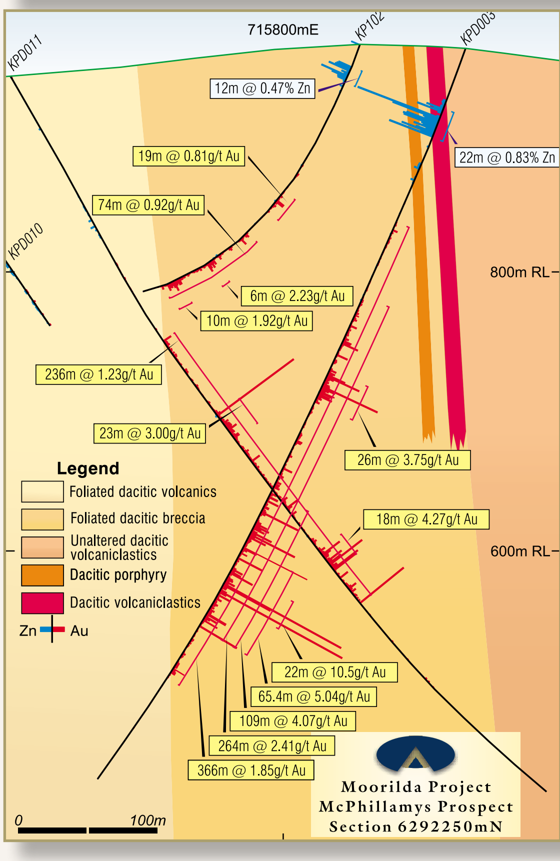
Other substantial intercepts in the main McPhillamys zone include **KPD005 201 metres @ 0.93g/t gold; KPD011 236 metres @ 1.23g/t gold;** and **KPD014 151 metres @ 0.93g/t gold.**

The results of the 2008 drilling program confirmed that a plus 0.5g/t gold mineralised envelope extends over a north south strike of at least 600 metres with widths up to 200 metres. This mineralisation is largely hosted by a generally steep east-dipping, altered coarse grained intermediate volcanic and intrusive sequence, with variable sulphide content up to 10%. Quartz veining is rare. Structurally overlying the mineralised system to the east are unaltered fine-grained sediments with a package of intensely deformed intermediate volcanics flanking the system to the west.

While the drilling results have been very positive, the understanding of the exact controls on gold mineralisation, along strike, down dip and down plunge is still not clear. The drilling data also suggests that there may either be surface depletion of the gold with many shallow holes showing irregular and generally lower grades than the deeper core and RC holes. The system as defined has the potential to host a multi million ounce deposit but additional drilling will be required to evaluate these concepts.

Late in the year Newmont advised Alkane that it would assume the role of Operator of the ODEJV as from 1 January.





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**.

Identified Mineral Resources at 31 December 2008:

DEPOSIT	MEASURED			INDICATED		
0.5% Cu cut off	Tonnage	Grade	Grade	Tonnage	Grade	Grade
	(t)	(% Cu)	(g/t)	(t)	(% Cu)	(g/t)
Galwadgere				2,090,000	0.99	0.3

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

Limited ground follow up of geological and geophysical targets was completed during the year and several, including a new area called Carinya with rock chip values up to 5.13g/t gold, 151g/t silver, 5.01% copper and 0.9% molybdenum, were recommended for further work.

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%,Xstrata Nickel 75%

During the year Xstrata advised that very limited work was carried out on 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. Early 2009 BCI announced that it had defined a Direct Shipping Ore Resource (M,I and I) of 46 million tonnes grading 57% Fe (64.69% CaFe = calcined Fe) within a larger Channel Iron Resource (M,I and I) of 80 million tonnes grading 54% Fe (61.9% CaFe) within the Bonnie Creek system at Nullagine. The iron deposits have low impurities and good sintering characteristics and should attract a premium price.

BCI also stated that the feasibility study for a 1.5 Mtpa operation should be completed mid-year. Exploration is continuing within the Bonnie Creek and nearby Shaw River systems.

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 Peak Hill Gold Mine is maintained by a full time site manager. The Peak Hill Gold Mine facilities support exploration activities on the Tomingley Gold Project 15km to the north of Peak Hill.

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

Alkane managed the Orange District Exploration Joint Venture on behalf of Newmont Australia during 2008. This JV saw extensive exploration activity on the Moorilda prospects.

Despite taking on additional staff and casual employees in 2008 Alkane had no lost time injuries, however our drilling contractors did have an incident which required medical treatment for a driller's offsider and time off work.

Alkane has employed six casual employees to work on the Dubbo Zirconia Project Demonstration Pilot Plant during 2008. This project is being conducted at ANSTO Minerals, Lucas Heights.

OH&S Results 2006-2008

	2006			2007			2008		
	Man Hrs	LTIs	Minor Injuries	Man Hrs	LTIs	Minor Injuries	Man Hrs	LTIs	Minor Injuries
Alkane	10,800	0	0	7,200	0	0	14,863	0	0
Contractors	0	0	0	0	0	0	10,660	1	0
Visitors		0	0	0	0	0	0	0	0
Total	10,800	0	0	7,200	0	0	25,523	1	0

Environmental Management in 2008

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 2008.

During 2008, the Company was in compliance with all consent conditions and approvals. An Annual Environmental Management Report meeting was held on site 12th December 2007 with Parkes Shire Council, Department of Environment and Climate Change, and Department of Primary Industries – Mineral Resources in attendance.

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 2008. 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 minor contributor to the local economy and community. Alkane took on three new employees during 2008 to cope with increased exploration activity on the Tomingley Gold Project and Moorilda tenements. Three local organizations and charities were assisted by Alkane in 2008.

There were no complaints received by the Company in 2008.

Note 1 to Accompany Resource Statement for Wyoming One and Three deposits

- ***drilling technique*** – the resource is based on reverse circulation, air core and diamond core drill holes completed by Alkane between May 2001 and December 2007;
- ***drilling density*** - drill holes completed on both EW and NS sections depending on the ore zone being evaluated. Sections are nominally spaced 25m apart with drill holes at a nominal 20m intervals along these sections;
- ***drill locations*** - All drill hole collars are surveyed by DGPS to obtain X Y Z position to ±0.1m;
- ***down hole surveys*** – most holes are surveyed down hole using a single shot camera. Air core holes were surveys at bottom of hole only however RC and diamond holes are surveyed at a nominal 50m down hole interval;
- ***sampling technique*** - RC and air core samples are collected at one metre intervals and initially composited to 3m for initial assay. All composites returning grades of ≥0.2g/t Au are subsequently riffle split and appropriate sized samples bagged for despatch to the laboratory. NQ, HQ and PQ diamond drill core was halved;
- ***sample recovery*** - RC sample recovery is usually very good (>80%). Samples are usually dry. Core recovery was usually very good;
- ***assay technique*** – samples were submitted to commercial laboratories for preparation by drying, grinding and sub-sampling and then analysed by industry standard Fire Assay techniques. 3m composite RC and air core samples are analysed from a 30g charge whilst the 1m RC and AC resplits and half diamond core from a 50g charge;
- ***specific gravity*** – specific gravity measurements were completed by commercial laboratories on core samples. Values recorded are
  2.75 t/m³ fresh
  2.18 t/m³ oxide
  1.72 t/m³ saprolite
  1.96 t/m³ alluvials
- ***estimation techniques*** - Estimations used a 3D pseudo-wireframe geological model as a basis for inverse distance squared grade extrapolation into a block model Block size is 2.5m x 2.5m x 5.0m. Wireframes/ore zones are constrained by boundaries defined by geology, structure and a 0.25 g/t Au grade envelope. The estimation search filters were dynamically re-orientated to follow the changing orientations of the wireframes.

  Comparative techniques such variable block size, Nearest Neighbour and Kriging, were used to generate additional estimates for validation of the quoted resources.

  As sample intervals for Wyoming One ranged from 0.1m to 5.0m, assays were composited to 1m intervals for the modelling. A total of 16,716 samples are within the wireframe.

  Sample intervals for Wyoming Three ranged from 0.2m to 4.0m, and these assays were composited to 1m intervals for the modelling. A total of 12,836 samples are within the wire frames;
- ***top cut*** – where applied, Top Cuts were selected for the 8 individual domains (ore zones) within Wyoming One using a combination of cutting plots, histograms and probability plots. Top Cuts ranged from 8g/t Au to 45g/t Au. For Wyoming Three there are 4 domains and Top Cuts ranged from 17g/t Au to 30g/t Au.

Note 2 to Accompany Resource Statement for the Caloma deposit

- ***drilling technique*** –the resource is based on reverse circulation, air core and diamond core drill holes completed by Alkane between May 2006 and June 2008;
- ***drilling density*** - drill holes completed on both EW nominally spaced 20m apart with drill holes at a nominal 20m intervals along these sections. In areas peripheral to the central part of the ore zone sections are nominally 40m apart with holes spaced at 40m along these lines. Several NS holes were completed to assist in the geological interpretation;
- ***drill locations*** - All drill hole collars are surveyed by DGPS to obtain X Y Z position to ±0.1m;
- ***down hole surveys*** – most holes are surveyed down hole using a single shot camera. Air core holes were surveys at bottom of hole only however RC and diamond holes are surveyed at a nominal 50m down hole interval;
- ***sampling technique*** - RC and air core samples are collected at one metre intervals and initially composited to 3m for initial assay. All composites returning grades of ≥0.2g/t Au are subsequently riffle split and appropriate sized samples bagged for despatch to the laboratory. HQ and PQ diamond drill core was halved or quartered;
- ***sample recovery*** - RC sample recovery is usually very good (>80%). Samples are usually dry. Core recovery was usually very good except in portions of the oxide zone where some core loss was observed;
- ***assay technique*** – samples were submitted to commercial laboratories for preparation by drying, grinding and sub-setting and then analysed by industry standard Fire Assay techniques. 3m composite RC and air core samples are analysed from a 30g charge whilst the 1m RC and AC resplits and half diamond core from a 50g charge;
- ***specific gravity*** – specific gravity measurements were completed by commercial laboratories on core samples. Values recorded are
  2.78 t/m³ fresh
  2.38 t/m³ oxide
  1.72 t/m³ saprolite
  1.96 t/m³ alluvials
- ***estimation techniques*** - Estimations used a 3D pseudo-wireframe geological model as a basis for inverse distance squared grade extrapolation into a block model. Block size is 2.5m x 2.5m x 5.0m. Wireframes/ore zones are constrained by boundaries defined by geology, structure and a 0.25 g/t Au grade envelope. The estimation search filters were dynamically re-orientated to follow the changing orientations of the wireframes.

  Comparative techniques such as Nearest Neighbour and Kriging, were used to generate additional estimates for validation of the quoted resources.

  As sample intervals ranged from 0.1m to 6.0m, assays were composited to 1m intervals for the modelling. A total of 17,641 samples are within the wire frame;
- ***top cut*** – where applied, Top Cuts were selected for the 18 individual domains and sub-domains (ore zones) using a combination of cutting plots, histograms and probability plots. Top Cuts ranged from 3.5g/t Au to 45g/t Au.

DIRECTORS' REPORT

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

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

J S F Dunlop (Chairman)
D I Chalmers
I R Cornelius
I J Gandel
A D Lethlean

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

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

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

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

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

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

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS
The state of affairs of the Company was not affected by any significant changes during the year.

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

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

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

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

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

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

PARTICULARS OF DIRECTORS

John Stuart Ferguson Dunlop (Non-Executive Chairman)
BE (Min), MEng Sc (Min), FAusIMM (CP), FIMM, MAIME, MCIMM
Appointed director and Chairman 3 July 2006
Mr Dunlop (58) is a consultant mining engineer with over 37 years surface and underground mining experience both in Australia and overseas. He is a former director of the Australian Institute of Mining and Metallurgy (2001 - 2006) and is currently Chairman of its affiliate, the Mineral Industry Consultants Association.

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

Mr Dunlop is a member of the Audit Committee.

David Ian (Ian) Chalmers (Managing Director)
MSc, FAusIMM, FAIG, FIMMM, FSEG, MSGA, MGSA, FAICD
Appointed director 10 June 1986, appointed Managing Director 5 October 2006
Mr Chalmers (60) is a geologist and graduate of the Western Australian Institute of Technology (Curtin University) and has a Master of Science degree from the University of Leicester in the United Kingdom. He has worked in the mining and exploration industry for over 39 years, during which time he has had experience in all facets of exploration through feasibility and development to the production phase.

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

Ian Raymond (Inky) Cornelius (Non-executive Director)
FAICD
Appointed director 10 June 1986
Mr Cornelius (68) has had over 40 years experience in the minerals and petroleum industry. He spent the first nine years of his career with the Western Australian Department of Mines before leaving to manage his own tenement consulting business. Since 1976, he has held senior executive positions in a number of public exploration and mining companies. In this capacity, he has had extensive experience and success in the selection, management and development of deposits of many commodities.

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

Ian Jeffrey Gandel (Non-executive Director)
LLB, BEc, FCPA, FAICD
Appointed director 24 July 2006
Mr Gandel (51) is a successful Melbourne businessman with extensive experience in retail management and retail property. He has been a director of the Gandel Retail Trust and has had an involvement in the construction and leasing of Gandel shopping centres. He has previously been involved in the Priceline retail chain and the CEO chain of serviced offices.

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

Mr Gandel is a member of the audit committee.

Anthony Dean Lethlean (Non-executive Director)
BAppSc(geology)
Appointed director 30 May 2002
Mr Lethlean (45) is a geologist with 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers and currently consults to Helmsec Global Capital Limited. Mr Lethlean is a non-executive director of Alliance Resources Ltd.

Mr Lethlean is Chairman of the audit committee.

JOINT COMPANY SECRETARIES

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

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

NOMINATION COMMITTEE

The Nomination Committee comprises the full Board.

DIRECTORS' MEETINGS

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

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

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

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

SHARE OPTIONS

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

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

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

DIRECTORS' INTERESTS AND BENEFITS

a) technical services and geological consulting fees of $577,228 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.

b) consulting fees of $8,250 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.

c) amounts of $7,941 paid or due and payable to Rocky Rises Pty Ltd, a company in which Mr Lethlean has a substantial financial interest, for consulting services provided in the normal course of business and at normal commercial rates.

d) consulting fees of $5,400 paid or due and payable to Gandel Metals Pty Ltd, a company in which Mr Ian Gandel has a substantial financial interest and

e) administration, accounting and secretarial fees of $126,000 paid or due and payable to a company in which Mr Colless and Miss Brown have substantial financial interests for services provided in the normal course of business and at normal commercial rates.

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

REMUNERATION REPORT

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

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

B. Details of remuneration

C. Service agreements

D. Share-based compensation

E. Additional information

The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001.
The information provided within this remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 'Related Party Disclosures'. These disclosures have been transferred from the financial report and have been audited.

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

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

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

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

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

Non-executive directors

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

Director's fees

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

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

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

B. Details of remuneration (audited)

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

REMUNERATION REPORT (continued)

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

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

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

Key Management Personnel and other executives of the Company

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

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

No long term or termination benefits have been paid.

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

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

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

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

No long term or termination benefits have been paid.

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

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

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

No long term or termination benefits have been paid.

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

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

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

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

No long term or termination benefits have been paid.

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

REMUNERATION REPORT (continued)

C. Service agreements (audited)

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

D I Chalmers

Term of agreement- 2 years commencing October 2008

Agreement

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

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

Termination

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

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

L A Colless and K E Brown

Term of agreement – on going commencing July 2006

Agreement

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

Termination

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

Non – executive Directors

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

No performance related bonuses or benefits are provided.

J S F Dunlop

Agreement

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

Termination

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

I R Cornelius

Agreement

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

Termination

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

I J Gandel

Agreement

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

Termination

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

A D Lethlean

Agreement

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

Termination

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

D. Share-based payments (audited)
Options granted during the year

No options were granted to the directors during the year.

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

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

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

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

Shares issued on exercise of remuneration options

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

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

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

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

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

REMUNERATION REPORT (continued)

E ***Additional information – (audited)***

Share –based compensation: Options

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

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

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

Shares issued on the exercise of options

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

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

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

Key Management Personnel

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

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

The liability insured is the indemnifaction 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.

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES
Auditors' Independence -Section 307c

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

"Dear Sirs,

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

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2008 annual financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Non-Audit Services

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor

- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

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

Signed in accordance with a resolution of the Directors.

D I Chalmers
Director
Dated at Perth this 27th day of March 2009

Income Statement

For The Year Ended 31 December 2008

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

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

Balance Sheet
As At 31 December 2008

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

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

Statement of Changes in Equity

Attributable to members of Alkane Resources Ltd

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

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

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

Cash Flow Statement

For The Year Ended 31 December 2008

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

The accompanying notes form part of these financial statements

1. Statement of Significant Accounting Policies

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

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

a) Basis of preparation

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

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

Compliance with IFRSs

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

Historical cost convention

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

b) Consolidation

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

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

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

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

c) Income Tax

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

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

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

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

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

d) Goods and Services Tax (GST)

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

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

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.

1. Statement of Accounting Policies (Continued)

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.

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 sufferred an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

o) **Trade Payables**

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

p) **Provisions**

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

q) **Leases**

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

r) **Joint ventures**

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

s) **Exploration expenditure**

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

i) the area has proven commercially recoverable reserves; or

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

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

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

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

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

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.

1. **Statement of Accounting Policies (Continued)**

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.

z) **New accounting standards and UIG interpretations**

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

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

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

aa) **Critical accounting estimates & judgements**

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

i) Significant accounting judgements

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

<u>Capitalisation of exploration and evaluation expenditure</u>

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:

<u>Impairment of capitalised exploration and evaluation expenditure</u>

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

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

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

	Consolidated 2008 $	Consolidated 2007 $	Parent entity 2008 $	Parent entity 2007 $
2. Income Tax Expense				
a) Income tax expense				
Current tax	**-**	-	**-**	-
Deferred tax	**-**	-	**-**	-
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Loss from continuing operations before income tax expense	**(17,898)**	(1,325,449)	**(17,898)**	(1,325,497)
Prima facie tax payable at 30 %	**(5,369)**	(397,635)	**(5,369)**	(397,649)
Add: tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Share based payments	**59,243**	271,271	**59,243**	271,271
Adjustments in respect of deferred income tax of previous years	**5,117,422**	4,318,017	**3,026,036**	2,659,399
Tax losses not brought to account as a deferred tax	**(5,171,296)**	(4,191,653)	**(3,079,910)**	(2,533,021)
	-	-	**-**	-
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised				
Potential tax benefit at 30%	**12,168,293**	10,193,148	**11,135,864**	10,232,077
d) Unrecognised temporary differences				
Deferred tax liabilities – capitalised exploration	**(7,205,924)**	(5,473,679)	**(4,259,156)**	(3,169,031)
Deferred tax assets – accrued expenses	**59,533**	51,653	**59,533**	51,653
Deferred tax assets – provisions	**-**	-	**207,825**	-
Deferred tax assets – revenue tax losses	**12,168,293**	10,193,148	**11,135,864**	10,232,077
Total deferred tax asset not recognised	**12,227,826**	10,244,801	**11,403,222**	10,283,730
Net deferred tax asset	**5,021,902**	4,771,122	**7,144,066**	7,114,699

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

		Consolidated		Parent entity	
		2008	2007	2008	2007
		$	$	$	$
3.	**Trade and other Receivables (Current)**				
	Debtors including GST refunds	**756,389**	419,627	**749,453**	405,187
4.	**Available for sale financial assets (Current)**				
	Quoted Shares - At fair value				
	Opening balance at 1 January	**7,950**	2,400	**7,950**	2,400
	Net gain (loss) from fair value adjustment	**(6,810)**	5,550	**(6,810)**	5,550
	Closing balance at 31 December	**1,140**	7,950	**1,140**	7,950
5.	**Other financial assets (Current)**				
	Interest bearing security deposits (not available for use)	**469,693**	440,312	**367,266**	335,729
		469,693	440,312	**367,266**	335,729

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

6.	**Available for sale financial assets (Non-Current)**				
	Quoted Shares - At fair value				
	Opening balance at 1 January	**13,680,000**	9,000	**13,680,000**	9,000
	Net gain (loss) from fair value adjustment	**(11,970,000)**	13,671,000	**(11,970,000)**	13,671,000
	Closing balance at 31 December	**1,710,000**	13,680,000	**1,710,000**	13,680,000
7.	**Held-to-maturity investments (Non-current)**				
	Shares in controlled entities - carried at cost (Note 18)				
	Opening balance at 1 January	-	-	**5,865,565**	5,865,565
	Closing balance at 31 December	-	-	**5,865,565**	5,865,565
	Loans to (from) subsidiaries				
	At fair value				
	Opening balance at 1 January	-	-	**4,964,073**	2,740,066
	Addition	-	-	**3,408,076**	2,224,007
	Closing balance at 31 December	-	-	**8,372,149**	4,964,073
	Net gain (loss) from fair value adjustment	-	-	**(3,675,851)**	(2,956,100)
		-	-	**10,561,863**	7,873,538

		Consolidated		Parent entity	
		2008	2007	2008	2007
		$	$	$	$
8.	**Property, Plant And Equipment**				
	Property, plant & equipment - at cost	**1,265,049**	1,025,304	**1,086,741**	866,996
	Less: Accumulated depreciation	**(250,001)**	(200,676)	**(222,684)**	(173,359)
		1,015,048	824,628	**864,057**	693,637
	Reconciliation of carrying amount				
	Opening balance at 1 January	**824,628**	791,876	**693,637**	670,885
	Plant & equipment acquired during year	**239,745**	64,826	**219,745**	54,826
	Disposals	**-**	(15,367)	**-**	(15,367)
	Depreciation during year	**(49,325)**	(16,707)	**(49,325)**	(16,707)
	Closing balance at 31 December	**1,015,048**	824,628	**864,057**	693,637
9.	**Exploration and Development Expenditure (Non-Current)**				
	Peak Hill Mine development at fair value	**1**	1	**1**	1
	Peak Hill Project acquisition and exploration at fair value				
	Opening balance at 1 January	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	Expenditure during the period	**22,570**	14,545	**22,570**	14,545
	Net gain (loss) from fair value adjustment	**(22,570)**	(14,545)	**(22,570)**	(14,545)
	Closing balance at 31 December	**1,000,000**	1,000,000	**1,000,000**	1,000,000
	Accumulated contributions to other ongoing exploration projects at fair value				
	Opening balance at 1 January	**17,245,596**	13,538,922	**9,563,437**	8,010,198
	Expenditure during the period	**7,550,197**	3,854,913	**3,988,053**	1,671,936
	Net gain (loss) from fair value adjustment	**(760,702)**	(148,239)	**(49,832)**	(118,697)
	Closing balance at 31 December	**24,035,091**	17,245,596	**13,501,658**	9,563,437
		25,035,092	18,245,597	**14,501,659**	10,563,438

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

		Consolidated		Parent entity	
		2008	2007	2008	2007
		$	$	$	$
10.	**Trade and other Payables (Current Liabilities)**				
	Trade creditors	**1,241,653**	1,452,231	**968,544**	1,380,649
		1,241,653	1,452,231	**968,544**	1,380,649
11.	**Provisions (Current Liabilities)**				
	Provision for annual leave	**61,220**	41,984	**61,220**	41,984
		61,220	41,984	**61,220**	41,984
	Provisions (Non-current Liabilities)				
	Provision for redundancy/long service leave	**137,224**	130,191	**137,224**	130,191

		Parent entity			
		2008		2007	
		Number	$	Number	$
12.	**Contributed Equity** **Share Capital**				
	Ordinary shares – Fully paid	**244,634,162**	**60,121,618**	215,888,726	50,803,706
	Movements in ordinary share capital				
	Opening balance at 1 January	**215,888,726**	**51,902,846**	200,543,468	46,950,472
	Rights issue	**25,783,436**	**8,250,699**	14,495,258	4,638,483
	Exercise of options**	**2,962,000**	**740,500**	850,000	212,500
	Share option reserve transferred on exercise	**-**	**353,317**	-	101,391
	Closing balance at 31 December	**244,634,162**	**61,247,362**	215,888,726	51,902,846
	Less: Costs of Issues	**-**	**(1,125,744)**	-	(1,099,140)
	As per Balance Sheet	**244,634,162**	**60,121,618**	215,888,726	50,803,706

Terms and conditions of ordinary shares:

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

13. Options on Issue

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

14. Reserves and Accumulated Losses

(A) RESERVES

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

(C) NATURE AND PURPOSE OF RESERVES

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

15. Key Management Personnel Disclosure

A) Directors

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

Alkane Resources Ltd

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

Subsidiaries

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

Ian R Cornelius, D Ian Chalmers, Lindsay A Colless

Skyray Properties Ltd (BVI)

L Thomas

Executives during year

D Ian Chalmers (Managing Director)

B) Other key management personnel

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

L A Colless – Company Secretary

K E Brown – Joint Company Secretary

15. Key Management Personnel Disclosure (continued)

C) Transactions with Key Management Personnel

a) technical services and geological consulting fees of $577,228 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.

b) consulting fees of $8,250 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.

c) amounts of $7,941 paid or due and payable to Rocky Rises Pty Ltd, a company in which Mr Lethlean has a substantial financial interest, for consulting services provided in the normal course of business and at normal commercial rates.

d) consulting fees of $5,400 paid or due and payable to Gandel Metals Pty Ltd, a company in which Mr Ian Gandel has a substantial financial interest and

e) administration, accounting and company secretarial fees of $126,000 paid or due and payable to a company in which Mr Colless and Miss Brown have substantial financial interests for services provided in the normal course of business and at normal commercial rates.

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

D) Outstanding Balances

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

Current payables – Directors' fees

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

E) Equity instrument disclosures relating to key management personnel

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

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

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

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

15. Key Management Personnel Disclosure (continued)

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

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

2007

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

15. **Key Management Personnel Disclosure (continued)**

E) Key Management Personnel Disclosure (continued)

2007

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

* Expired during the year

F) Key management personnel compensation

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

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

G) Related party transactions

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

16. **Segmental Information**

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

17. Related Party Transactions

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

18. Controlled Entities

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

19. Reconciliation of Cash

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

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

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

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

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

21. Share-Based Payments

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

Consolidated and parent entity 2008

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

21. Share-Based Payments (continued)

Consolidated and parent entity 2007

Grant Date	Expiry date	Exercise price	Balance at the start of the year (Number)	Granted during the financial period (Number)	Excercised 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)
Director options								
10 June 2002	24 May 2007	$0.60	4,000,000	-	-	(4,000,000)	-	-
26 May 2003	24 May2007	$0.60	750,000	-	-	(750,000)	-	-
19 April 2007	30 Sep 2008	$0.25	-	2,500,000	(500,000)	-	2,000,000	2,000,000
19 April 2007	30 Sep 2009	$0.30	-	2,500,000	-	-	2,500,000	-
Company Secretary options								
19 April 2007	30 Sep 2008	$0.25	-	500,000	-	-	500,000	500,000
19 April 2007	30 Sep 2009	$0.30	-	500,000	-	-	500,000	-
Employee/Consultants options								
10 June 2002	24 May 2007	$0.40	500,000	-	(500,000)	-	-	-
30 May 2003	29 May 2008	$0.45	975,000	-	-	-	975,000	975,000
19 April 2007	30 Sep 2008	$0.25	-	1,200,000	(350,000)	-	850,000	850,000
19 April 2007	30 Sep 2009	$0.30	-	1,200,000	-	-	1,200,000	-
Weighted average exercise price			$0.50	$0.28	$0.25	$0.50	$0.30	$0.30

Options granted carry no dividend or voting rights.

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

(A) Director option expense

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

(B) Employee option expense

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

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

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

(C) Expenses arising from share-based payment transactions

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

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

22. Subsequent Events

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

23. Earnings per Share ("Eps")

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

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

24. Commitments for Expenditure

Mineral Tenement Leases

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

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

Consolidated

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

25. Financial Risk Management

Overview:

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

(a) credit risk

(b) liquidity risk

(a) market risk

This note presents information about the company's and group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The board of directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

25. **Financial Risk Management (continued)**

(a) Credit risk:

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and investment securities. For the company it arises from receivables due from subsidiaries and recharges to joint venture partners.

(i) Investments:

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

(ii) Trade and other receivables:

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

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

Exposure to credit risk:

The carrying amount of the group's financial assets represents the maximum credit exposure.

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

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

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

Impairment losses:

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

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

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

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

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

	Consolidated Carrying amount		Parent entity Carrying amount	
	2008	2007	2008	2007
	$	$	$	$
Balance at 1 January	**13,680,000**	9,000	**13,680,000**	9,000
Impairment loss/(write-back) recognised	**(11,970,00)**	13,671,000	**(11,970,00)**	13,671,000
Balance at 31 December	**1,710,000**	13,680,000	**1,710,000**	13,680,000

25. Financial Risk Management (continued)

(b) Liquidity risk:

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group manages liquidity risk by maintaining adequate reserves through continuously monitoring forecast and actual cash flows.

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

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

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

(c) Market Risk:

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

(i) Currency risk:

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

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

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

25. Financial Risk Management (continued)

(ii) Price Risk

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

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

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

(iii) Interest rate risk:

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

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

<u>Fair value sensitivity analysis for fixed rate instruments:</u>

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

<u>Fair value sensitivity analysis for variable rate instruments:</u>

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2007.

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

<u>Net Fair value</u>

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

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

26. Auditors remuneration

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

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

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

Directors' Declaration

In the opinion of the Directors of Alkane Resources Ltd:

a) the financial statements and notes set out in preceding pages are in accordance with the Corporations Act 2001 including:

   i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 December 2008 and of their performance for the financial year ending on that date; and

   ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

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

D I Chalmers
Director
Perth, 27th March 2009

Independent Audit Report To The Members Of Alkane Resources Ltd

ROTHSAY

We have audited the accompanying financial report of Alkane Resources Ltd (the Company") which comprises the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

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

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures in the Directors' report comply with AASB 124.

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

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

Independence

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

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

Audit opinion

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

a) (i) giving a true and fair view of the Company’s and the group’s financial position as at 31 December 2008 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b) the consolidated financial report also complies with International Financial Reporting Standards.

c) the remuneration disclosures in the Directors’ report comply with AASB 124

Rothsay

Frank Vrachas
Partner
Dated 27 March 2009

INTRODUCTION

In accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (2nd edition) ("**ASX Principles and Recommendations**")[1], 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, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of 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. In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its committees), the Company's Code of Conduct and other policies and procedures relating to the Board and its responsibilities.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Summary Statement

	ASX P & R[1]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4	✓	
Recommendation 1.3	✓		Recommendation 5.1	✓	
Recommendation 2.1	✓		Recommendation 5.2	✓	
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2	✓	
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6	✓		Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4	✓	
Recommendation 3.2	✓		Recommendation 8.1		✓
Recommendation 3.3	✓		Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3	✓	
Recommendation 4.2	✓				

1 Indicates where the Company has followed the Principles & Recommendations.
2 Indicates where the Company has provided "if not, why not" disclosure.

Since 17 April 2008 the Company has adopted a new Corporate Governance Manual which complies with the ASX Principles and Recommendations.

During the Company's 2008 financial year ("**Reporting Period**") the Company has complied with each of the Principles and Recommendations, other than in relation to the matters specified below.

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.

1 A copy of the ASX Principles and Recommendations is set out on the Company's website under the Section entitled "Corporate Governance".

Principle 8
Recommendation 8.1: 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 MATTERS

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination related discussions occurred from time to time during the year as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter (available on the Company's website).

AUDIT MATTERS

The Audit Committee members are Anthony Lethlean, John Dunlop and Ian Gandel.

The Audit Committee held four meetings during the Reporting Period. The following table identifies those directors who are members of the Audit Committee and shows their attendance at committee meetings:

Name	No. of meetings attended
John Dunlop	4
Anthony Lethlean	4
Ian Gandel	4

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 directors' qualifications are set out in the Directors' 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 MATTERS

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, in its capacity as the Remuneration Committee, held two meetings during the Reporting Period. All Board members attended the meetings. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter (available on the Company's website). Further the Company subscribes to an independent annual report to provide comparative mining industry remuneration details for all levels of personnel.

OTHER

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing their skills, experience and expertise is set out in the Directors' Report.

Assurances to the Board

The Board has received assurance from management that the Company's management of its material business risks are effective. Further, the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

Risk Management

The Company is committed to the implementation and maintenance of an integrated risk management program for all its activities in accordance with the Australian/New Zealand Standard on Risk Management (AS/NZS 4360:2004) and during 2007 the Company adopted a Risk Management Policy and Risk Management Manual. The Company's Risk Management Policy, Manual and procedures are subject to periodic review.

In adopting the Risk Management Policy it was accepted that risk for the Company is likely to occur in two areas: strategic risk (including political and structural risks and risks associated with opportunity and with reputation) and organisational risk (including risks associated with financial and asset management, information management and technology, compliance and regulatory issues, operational management, occupational health and safety and stakeholder management).

The implementation of the Risk Management Policy is aimed at enabling the Company to:

- facilitate the Board and senior management in making informed business decisions based on risk assessment
- identify, prioritise and manage risks in a coordinated manner
- provide a more rigorous basis for strategic planning as a result of a structured consideration of the key element of risk
- better identify and exploit opportunities
- comply with relevant legislation
- identify and manage undesirable risks to minimise costly surprises
- reduce costs through more targeted and effective controls

In 2007, a Risk Management Workshop was conducted with the Board and senior management personnel to identify specific risks applying to the Company and to analyse these risks in terms of likelihood and consequence in the context of existing risk control measures. The workshop also sought to identify areas of risk requiring attention in terms of improving mitigating practices and controls.

The Board of Alkane Resources Ltd is accountable for the risks within the Company, and oversight of the Risk Management Policy and procedures is conducted by the Audit Committee. It is the responsibility of the management team, led by the Managing Director, to manage risks within their respective areas of responsibility. It is the responsibility of all personnel for sound risk management practices within the individual's particular area. An Operational Risk Management Sponsor has been appointed with the responsibility of keeping the Risk Management Policy and Operational Risk Framework updated subject to formal approval of policy amendments by the Board.

In the process for compliance with section 295A of the Corporations Act, detailed internal control questionnaires are completed and reviewed by management, by the Audit Committee and by the Company's external auditor. The Board also receives written assurance from the Managing Director and the Chief Financial Officer that, in their respective opinions, the declaration provided by each of them in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Identification of Independent Directors and the Company's Materiality Thresholds

In considering the independence of directors, the Board refers to its *Policy on Assessing the Independence of Directors* (available on the Company's website).

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

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

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 his 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.

Performance Evaluations

During the Reporting Period an evaluation of the Board, individual directors and the company secretary was carried out. The evaluation was carried out by the chairperson. In relation to the Board and individual director evaluations, each director completed a Director's Questionnaire which was provided to the chairperson to assist with his review. The Questionnaires were also tabled and discussed at a meeting of the Board.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

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

1. Share Holding at 27 March 2009 - ALK

(a) Distribution of Shareholders

Share holding			Number of Holders Fully paid ordinary shares
1	-	1,000	186
1,001	-	5,000	919
5,001	-	10,000	530
10,001	-	100,000	1,209
100,001	-	over	214
			3,058

(b) Unmarketable Parcels
There are 318 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	70,411,964

2. Top Twenty Shareholders at 27 March 2009

Shareholder	Number of Shares	% Issued Capital
Abbotsleigh Pty Ltd	70,411,964	28.78
Merrill Lynch (Australia) Nominees Pty Ltd	15,753,690	6.44
ANZ Nominees Limited	11,507,618	4.70
National Nominees Limited	9,313,966	3.81
JP Morgan Nominees Australia Limited	7,680,973	3.14
Sydney Equities Pty Limited	4,798,000	1.96
Funding Securities Pty Ltd	3,650,000	1.49
Citicorp Nominees Pty Limited	3,101,420	1.27
HSBC Custody Nominees (Australia) Limited	2,592,114	1.06
Lampsac Pty Ltd	2,176,549	0.89
Riomin Australia Gold Pty Ltd	2,000,000	0.82
Eikofin B V B A	2,000,000	0.82
Kinane Holdings Pty Ltd	2,000,000	0.82
RM Dimond & Associates Pty Ltd	1,400,000	0.57
Leefab Pty Ltd	1,353,384	0.55
Choice Investments (Dubbo) Pty Ltd	1,294,667	0.53
Bond Street Custodians Limited	1,239,417	0.51
Spacebull Pty Limited	1,209,000	0.49
Mr Ian Cornelius	1,205,600	0.49
Aquatic Resources Limited	1,203,400	0.49
	145,891,762	59.63

3. **Unlisted Options**

Option Holding at 27 March 2009 – ALKAU

Total options 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 27 March 2009 – ALKAY

Total options exercisable at 30 cents each expiring 30 September 2009	1,400,000
Number of holders	8

Holdings of more than 20%
Not applicable

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

TENEMENT SCHEDULE

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	] Alkane group 100%
ML 6389	Peak Hill, NSW	100	]
ML 6406	Peak Hill, NSW	100	]
ML 1351	Peak Hill, NSW	100	]
ML 1364	Peak Hill, NSW	100	]
MLA 79 Or	Peak Hill, NSW	100	]
ML 1479	Peak Hill, NSW	100	]
EL 6319	Peak Hill, NSW	100	]
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	]
ELA 3623	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 7139	Tomingley, NSW	100	]
EL 7020	Cudal, NSW	100	] Alkane group 100%
EL 4022	Bodangora, NSW	100	] Alkane group 100%
EL 7235	Calula, 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	] Xstrata Nickel holds 75%, Alkane diluting
M 36/329	McDonough, WA	25	] Xstrata Nickel holds 75%, Alkane diluting
M 36/330	McDonough, WA	25	]

Tenement Number	Project Name	Alkane Interest %	Other interests
E 36/622	Leinster Downs, WA	25	]
P 36/1601	Leinster Downs, WA	25	]
P 36/1602	Leinster Downs, WA	25	] Xstrata Nickel 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	]

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