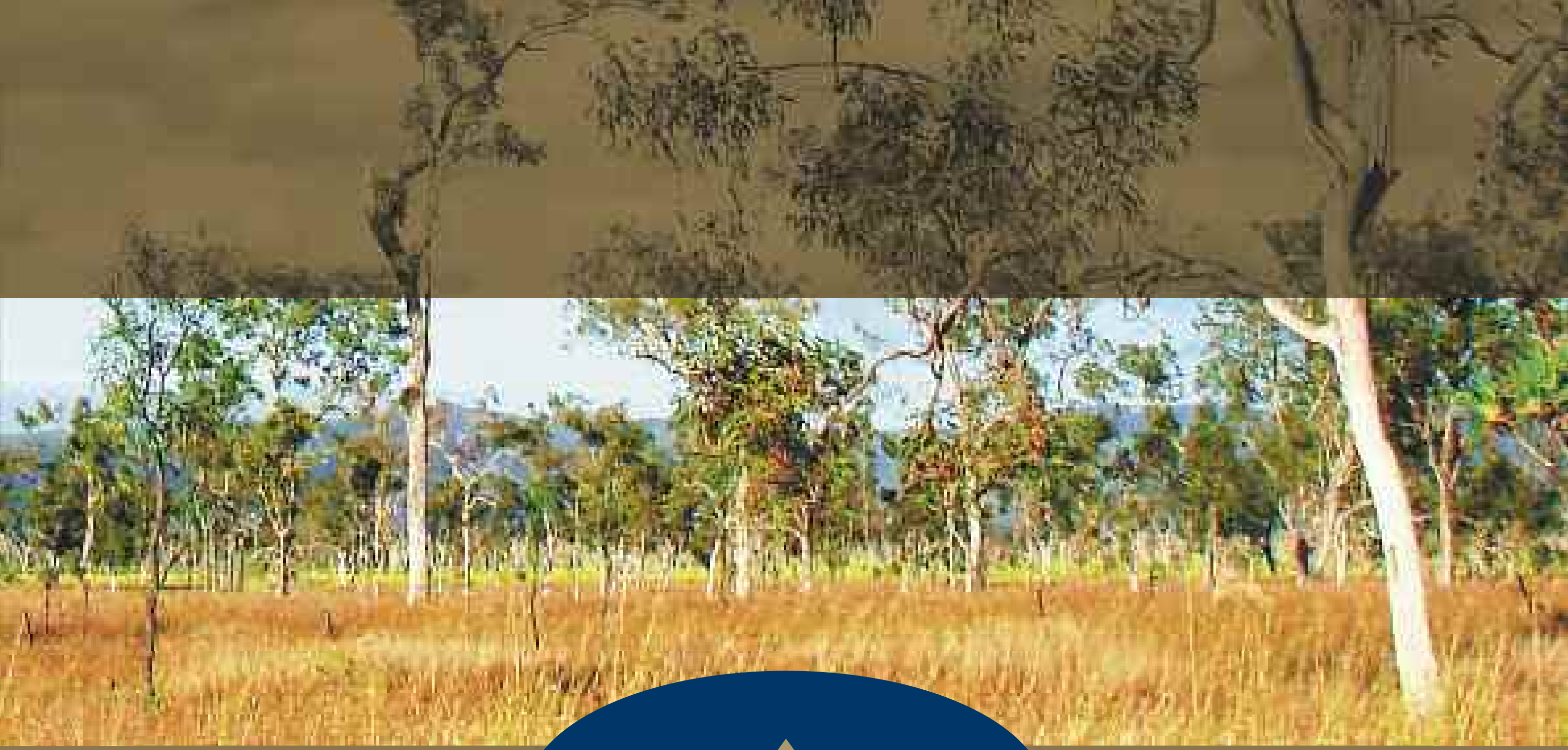


ALKANE
Resources LTD

ABN 35 000 689 216

ANNUAL REPORT 2009

COMPANY INFORMATION

ACN 000 689 216

ABN 35 000 689 216

DIRECTORS	J S F Dunlop (Chairman) D I Chalmers (Managing Director) I R Cornelius I J Gandel A D Lethlean
SECRETARY	L A Colless
REGISTERED OFFICE	129 Edward Street Perth WA 6000 Telephone: 61 8 9227 5677 Facsimile: 61 8 9227 8178
TECHNICAL OFFICE	96 Parry Street Perth WA 6000 Telephone: 61 8 9328 9411 Facsimile: 61 8 9227 6011
SHARE REGISTRY	Advanced Share Registry Limited 150 Stirling Highway Nedlands WA 6009 Telephone: 61 8 9389 8033 Facsimile: 61 8 9389 7871
AUDITORS	Rothsay Chartered Accountants Level 1 12 O'Connell Street Sydney NSW 2000 Telephone: 61 2 8815 5400 Facsimile: 61 2 8815 5401
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

2009 has provided many positives as well as some frustrations. While substantial progress was achieved with the Dubbo Zirconia Project (DZP) and in our joint venture with Newmont on the exciting gold discovery at McPhillamys, the decision to proceed to development with the Tomingley Gold Project (TGP) has been delayed by about six months.

With a resource inventory at over 650,000 ounces, the base case development concept for the TGP was settled at a 1 million tonne per year operation based upon three open pits and a standard carbon-in-leach (CIL) treatment plant. This would produce an average of 50,000 ounces a year over a six year life. All the necessary input data for the Definitive Feasibility Study, including metallurgy, mine planning and scheduling, infrastructure, site access, water and power supply were compiled enabling estimation of the operating and capital costs.

It was the capital costs that generated a surprise and while the cost of the CIL plant was close to the original estimate of $40 million, the associated infrastructure costs jumped to also be around $40 million.

The site presents some unusual aspects such as having the very busy Newell Highway separating the Caloma deposit from the treatment plant which requires an underpass to be constructed beneath the highway.
Water requires the construction of a 45 kilometre pipeline to the mine site, and power a 20 kilometre power line from Peak Hill. Existing power lines, telephone lines and a national fibre optic cable have to be relocated and the proximity of the site to the town of Tomingley and the Newell Highway also requires additional infrastructure to minimise the impact of noise, dust and visual amenity to the residents and vehicle traffic.

These escalated capital costs impacted on the project's financials and it was agreed that the project required additional ore feed to extend its life from the base case and generate robust returns.

Several options were considered, including further exploration in the immediate project area, but an assessment of the underground potential at the Wyoming One and Caloma deposits was thought to be the best short term option to provide the necessary resources to extend the life of operations to around ten years.

The feasibility study and associated Environmental Assessment are now scheduled to be completed by the middle of the year, with hopefully a positive outcome that will see the Company return to gold production and generating cash flow sometime in 2011.

The DZP made steady progress throughout the year, with the Demonstration Pilot Plant (DPP) at ANSTO Minerals operating for several campaigns, producing substantial zirconium and niobium products which have been distributed to many potential customers throughout the world. Considerable effort was directed at the product development and we are now confident that we are capable of producing a variety of quality zirconium and niobium products for many end uses, ranging from environmental drying agents through to ceramics for catalytic converters (auto exhaust systems) and a potential feed for nuclear grade zirconium metal, and special steels from the niobium.

Importantly the DPP also produced its initial light rare earth (LREE) and yttrium-heavy rare earth (YHREE) samples through laboratory scale test work. We had recognised that the existing flow sheet naturally separated the LREE from the YHREE, giving the option to produce two products for further processing and separation for sale into these rapidly developing markets with important applications for energy efficiency and emissions minimisation.

While further work is required to finalise the yttrium and rare earth recovery, it is anticipated that the circuits will be added to the DPP in the second quarter of 2010 and enable marketable quantities of products to be distributed to end users.

The DPP operation has confirmed the process flow sheet and is providing engineering data for capital and operating cost estimates. Data from the DPP and Letters of Intent from future customers will be incorporated in the current Definitive Feasibility Study. A development decision is anticipated late 2010, with production possible mid 2012, for this advanced world class project.

As mentioned last year, the TGP and DZP will remain the cornerstone of Alkane's immediate development projects, but the very exciting McPhillamys gold discovery continued to generate positive exploration results from drilling of the deposit and new regional targets.

Newmont earned an initial 51% interest in the joint venture during the year and recently advised that they had elected to earn a further 24% (to 75%) by presenting Alkane with a bankable feasibility study. This decision followed various studies by Newmont on the resource potential and conceptual mine developments. Their geological models indicated a mineralised target ranging from two million to four million ounces of gold with significant copper credits at McPhillamys.

While there is no expenditure or time limit to complete the feasibility study, we believe that the deposit will ultimately rate as the largest greenfields gold discovery in Australia since Tropicana in Western Australia in 2005. It is not possible to estimate the size of any potential development or capital cost at this time, but Alkane does have the option to ask Newmont to secure funding for Alkane's share of any capital costs in return for a further 5% interest.

We anticipate that Newmont will accelerate the program as 2010 proceeds and look forward to a positive outcome in the next two to three years.

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

John S F Dunlop

Chairman

TOMINGLEY GOLD PROJECT (TGP)

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 TGP is located in the Central West of New South Wales, about 400 kilometres northwest of Sydney. The Project is centred on three gold deposits located 14 kilometres north of the Company's Peak Hill Gold Mine. Exploration drilling discovered the Wyoming One deposit in 2002 and Wyoming Three in 2003. The Caloma deposit was recognised in 2006 with initial resource drilling completed in 2008.

A Definitive Feasibility Study (DFS) has been in progress since late 2007 and much of the input data to complete the study has been acquired. Site infrastructure, including power and water supply is also being finalised and a conceptual layout has been determined.

Resource Drilling - Caloma

Open pit mine planning proceeded and a reverse circulation (RC) drilling program was completed to raise some of the Inferred Resources within the Caloma pit shell to Indicated/Measured status. The drilling program focussed on the northern 100 metre section of the resource with a few holes also testing other small sections of the deposit. Results of this drilling were reported during the year.

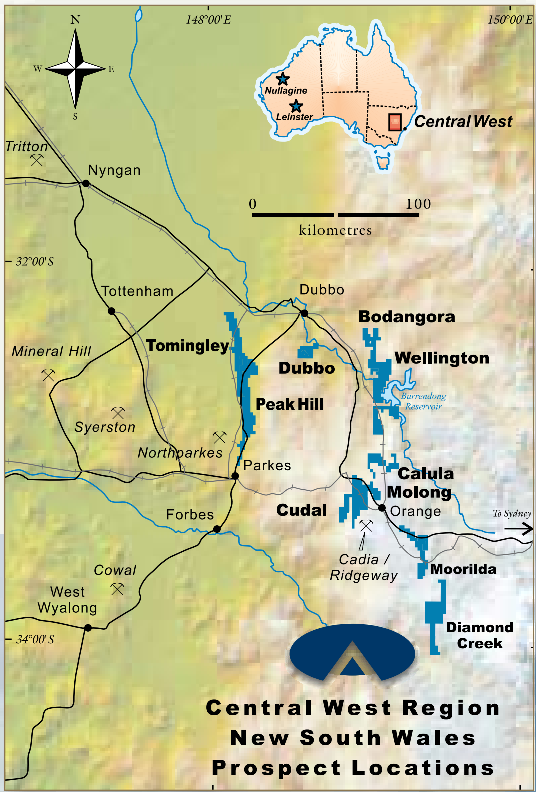
Mr Richard Lewis of Lewis Mineral Resource Consultants Pty Ltd (LMRC), who completed the original resource assessment for the project, has compiled the revised models for the Caloma deposit.

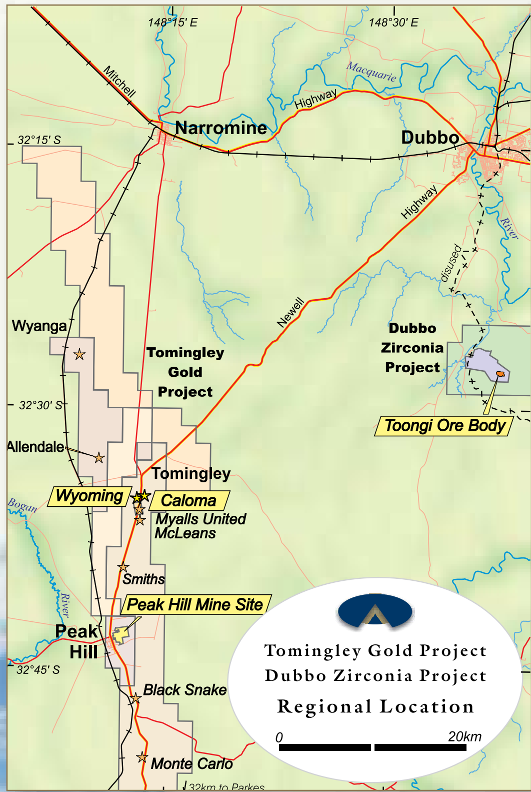
Identified Mineral Resources as at 31 December 2009 above a cut off of 0.75g/t gold.

DEPOSIT	MEASURED		INDICATED		INFERRED			TOTAL	
NO TOP CUT	TONNAGE	GRADE	TONNAGE	GRADE	TONNAGE	GRADE	TONNAGE	GRADE	GOLD
mgeol model	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(koz)
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	2,073,350	2.24	448,140	1.91	1,567,680	1.69	4,089,170	1.99	262.0
Total	5,122,350	2.35	1,370,140	2.66	4,917,680	2.12	11,410,170	2.29	838.7

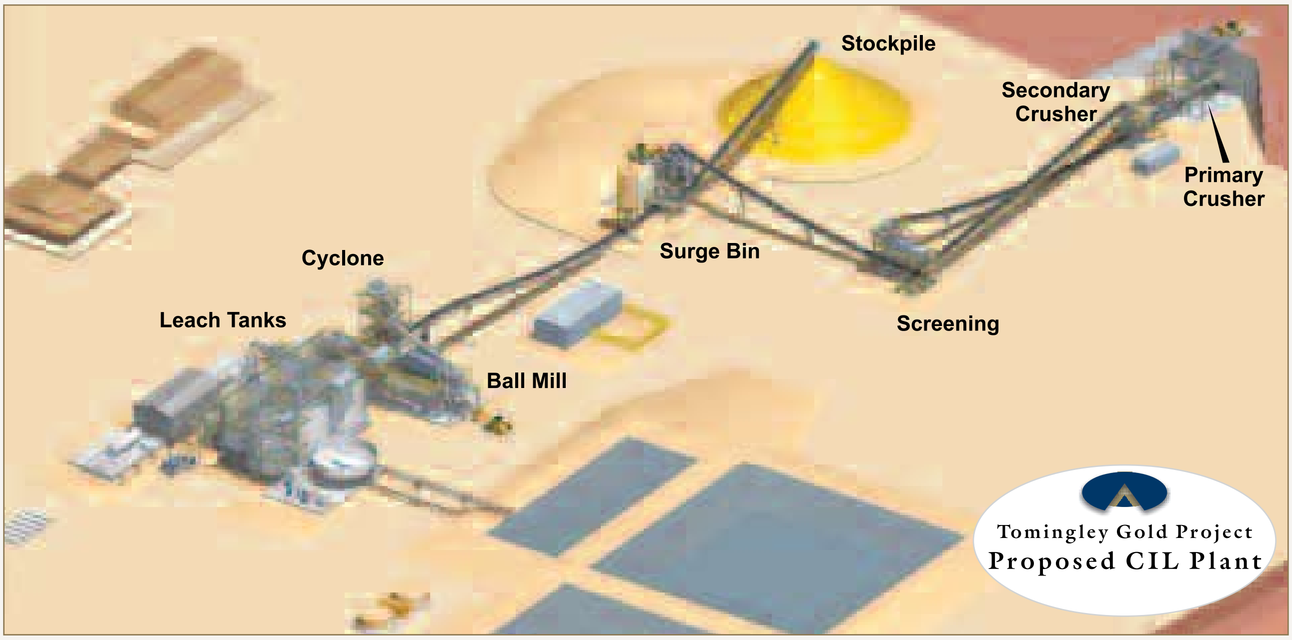
DEPOSIT	MEASURED		INDICATED		INFERRED			TOTAL	
TOP CUT	TONNAGE	GRADE	TONNAGE	GRADE	TONNAGE	GRADE	TONNAGE	GRADE	GOLD
2.5x2.5x5.0m model	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(koz)
Wyoming One	2,227,000	2.07	882,000	2.25	3,478,000	1.62	6,587,000	1.86	393.2
Wyoming Three	630,000	1.87	58,000	1.73	154,000	1.25	842,000	1.75	47.3
Caloma	2,047,750	2.04	440,050	1.71	1,371,620	1.36	3,859,420	1.76	218.5
Total	4,904,750	2.03	1,380,050	2.06	5,003,620	1.54	11,288,420	1.82	658.9

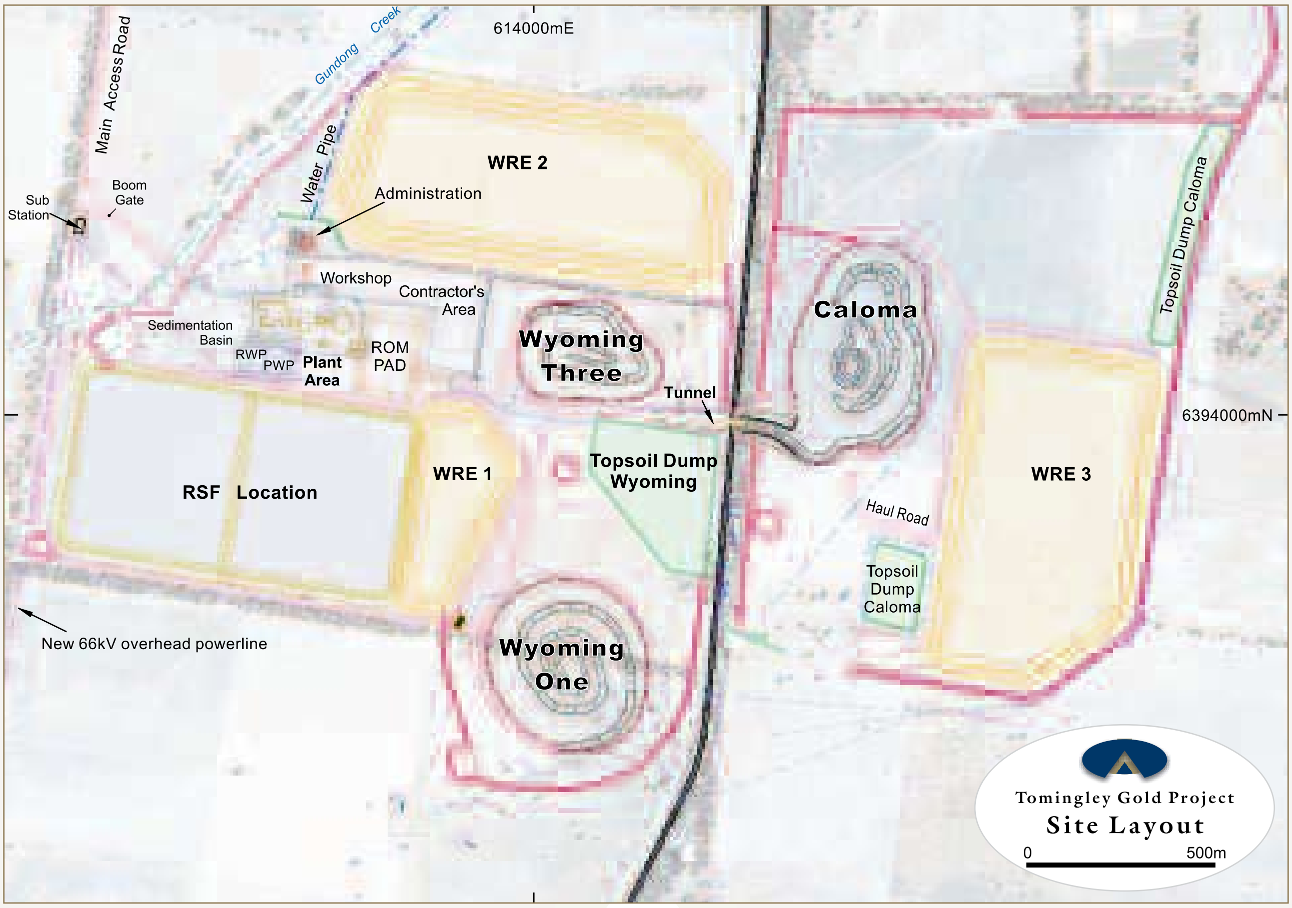
These Mineral Resources are based upon information compiled by Mr Richard Lewis MAusIMM (Lewis Mineral Resource Consultants Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Richard Lewis 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 ASX Report dated 25 March 2009 and 2 October 2009.





Aircore drilling at Caloma (TGP)


Stockpile
Secondary Crusher
Primary Crusher
Cyclone
Surge Bin
Leach Tanks
Screening
Ball Mill
Tomingley Gold Project
Proposed CIL Plant


614000mE
Main Access Road
Gundong Creek
Water Pipe
WRE 2
Sub Station
Boom Gate
Administration
Workshop
Contractor's Area
Sedimentation Basin
RWP
PWP
Plant Area
ROM PAD
Wyoming Three
Caloma
Topsoil Dump Caloma
Tunnel
6394000mN
RSF Location
WRE 1
Topsoil Dump Wyoming
WRE 3
Haul Road
Topsoil Dump Caloma
New 66kV overhead powerline
Wyoming One
Tomingley Gold Project
Site Layout
0
500m

Definitive Feasibility Study (DFS)

The DFS is being managed by Mintrex Pty Ltd, the consulting division of Perth engineering group, Holtfreters Pty Ltd with input from Alkane personnel and external consultants.

The initial base case development model for the project comprises three open pit mines, Wyoming One, Wyoming Three and Caloma with gold production through a conventional Gravity-CIL gold recovery circuit at a mining rate of around 1.0 million tonnes per annum and production of an average of 50,000 ounces per annum for about six years.

Detailed cost components for the development are being compiled and late in the year there was an unanticipated and substantial increase in estimated costs relating to certain capital items. These increases do not relate to the capital components of the treatment plant but have come from associated infrastructure and pre-production costs.

While Tomingley is located in an area of substantial existing infrastructure, the site presents some unusual aspects such as having the very busy Newell Highway separating the Caloma deposit from the treatment plant which requires an underpass to be constructed beneath the highway. Water remains a critical supply item in the region which forms part of the Murray-Darling River Catchment Area where water resource management measures limit the availability of access to supply. An option to acquire part of an existing production licence on the Macquarie River Aquifer near Narromine has been agreed but this location requires the construction of a 45 kilometre pipeline to the mine site. The proximity of the site to the town of Tomingley and the Newell Highway also requires additional infrastructure to minimise the impact of noise, dust and visual amenity to the residents and vehicle traffic.

The escalated capital costs impacted on the TGP's financial results at the current A$ spot gold price highlighting that the project requires additional ore feed to extend the project life and generate robust returns.

As a result, an assessment of the underground potential commenced with the aim of defining underground operations at the Wyoming One and Caloma deposits and extend the life of the operations to around ten years with an average gold production of 50,000 ounces per annum.

Environmental Assessment and Development Consent

Midyear a Preliminary Environment Assessment (PEA) was lodged with the NSW Department of Planning, and a follow up Planning Focus Meeting was held on site mid August. This meeting determined the key issues of any environmental impacts of the project.

Compilation of the full Environmental Assessment for the project is nearing completion, and it is anticipated that this will be lodged with the NSW Department of Planning with the Development Application near the end of the first quarter of 2010.

Further Exploration

The porphyry unit that hosts the Caloma deposit extends 400 metres to the south. This zone has not been subject to systematic exploration, however early reconnaissance drilling did locate ore grade intercepts. Initial aircore drilling in this zone has located significant gold mineralisation at South Caloma and further drilling is scheduled to assess its potential to provide additional open pitable ore.

Diamond drilling at Caloma to scope the potential underground mineralisation commenced in February. Other nearby regional targets will also be reviewed for potential.

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 in place 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 homes and infrastructure however, means any mine development would be underground.

Identified Mineral Resources at Peak Hill as at 31 December 2009 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 deposit hosting the mineralisation is a sub-volcanic trachyte vertical intrusive body with dimensions of approximately 900 metres by 600 metres, which was drilled out in 2000 – 2001 to 55 metre depth to generate a Measured Resource and to 100 metres for an additional Inferred Resource. In 2006, 500 tonnes of ore were mined and crushed on site, and an initial 100 tonnes trucked to ANSTO Minerals in Sydney for treatment through the Demonstration Pilot Plant.

Identified Mineral Resources at 31 December 2009 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

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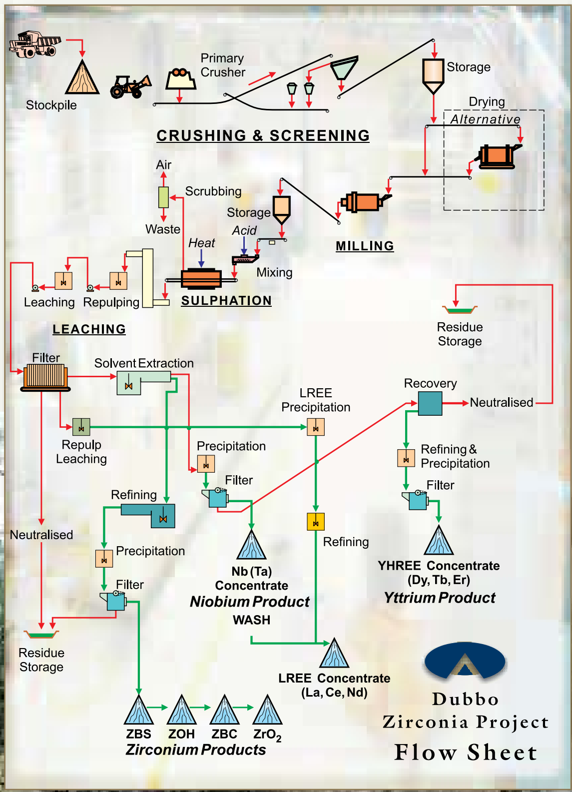
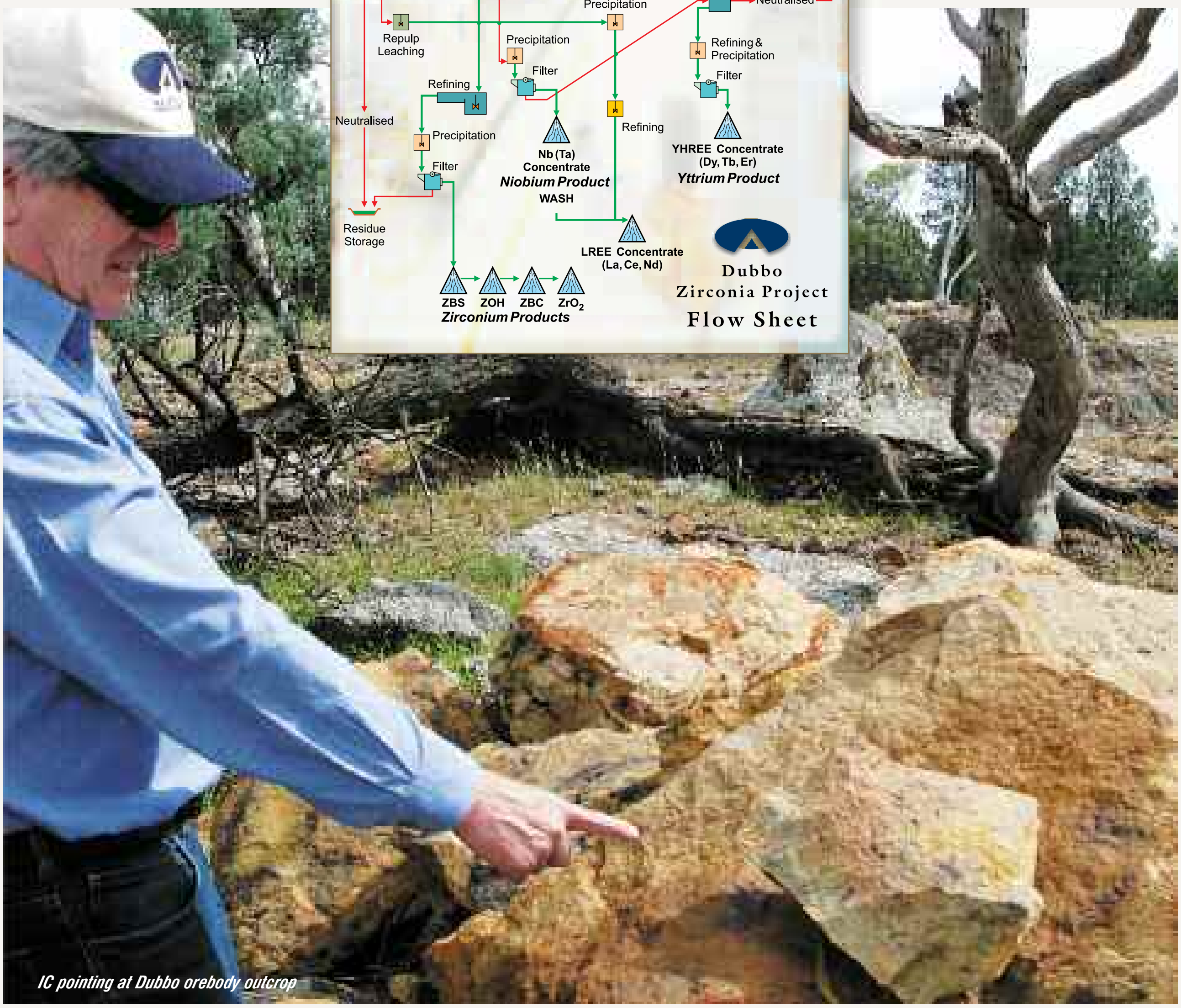




IC pointing at Dubbo orebody outcrop

The Demonstration Pilot Plant (DPP) has been operating at the laboratory facilities of ANSTO Minerals at Lucas Heights south of Sydney since May 2008 and to date has recovered 1,300kg of zirconium chemicals and nearly 300kg of niobium concentrate.

Zirconium basic sulphate (ZBS) is the primary product recovered from the DPP. This has been converted to zirconium hydroxide (ZOH) and zirconium basic carbonate (ZBC) which are of high quality, returning 99% ZrO_2 when calcined (high temperature drying). These products have diverse uses such as being converted to zirconia (ZrO_2) for use in auto exhaust catalysts, a high growth pollution control development area. Other high growth markets are advanced ceramics, environmental drying agents and metal pre-treatment. For example, auto manufacturers are replacing zinc-based body undercoat with more effective zirconium primers.

The ZOH has also been converted to a 99.2% ZrO_2 zirconia with very low hafnia (HfO_2) content. The existing flow sheet reduces the Zr to Hf ratio from 50:1 in the ore to 350:1 in the products. Hafnium free zirconium metal is used to make tube or fuel rods and reactor vessel construction in nuclear power plants. Other natural sources of zirconium have a much higher Hf content than the DPP sample product.

The basic niobium product is a niobium (tantalum) pentoxide concentrate with approximately 70% Nb_2O_5 and is a saleable product. A preliminary ferroniobium sample has also been produced from the concentrate. While this sample is at an early stage of development, it offers an alternate and valuable product for the project.

Test work to prove the recovery of yttrium and rare earths from the current flow sheet continued in the laboratory at ANSTO using solutions generated by the DPP. This flow sheet naturally separates the light rare earths (LREE = lanthanum, cerium, neodymium, praseodymium and samarium) from the yttrium and heavy rare earths (HREE = gadolinium, terbium, dysprosium and erbium) and late in the year LREE and YHREE samples were recovered from the plant. Preliminary analyses of these products have confirmed the favourable distribution of the rare earths.

While further development work is required to confirm the commercial viability of the DZP yttrium and rare earth products, it is anticipated that the circuits will be added to the DPP early in 2010 to generate product for distribution to potential customers.

Possible Production Scenario

In the 2002 study, the primary metal output for the DZP was considered to be the zirconium chemicals and a base case ore throughput of 200,000 tonnes per annum was initially chosen to establish a market presence of less that 7% of total world demand at that time. Since then the zirconium market has expanded considerably and a greater throughput is possible. Also demand for the niobium concentrate and yttrium and rare earth products has increased dramatically, and support a larger start up capacity.

The defined resource is large enough so that even at the expanded rate the open pit mining would have a life in excess of 200 years and a base case development is now 400,000 tonnes per annum of ore throughput.

PRODUCT	400,000 tpa
ZBS, ZOH, ZBC, ZrO_2	15,000 tpa (6,000 tpa ZrO_2)
Nb - Ta concentrate	2,000 tpa (1,400 tpa Nb_2O_5)
LREE concentrate	1,980 tpa (REOs)
YHREE concentrate	600 tpa (YREOs)

ZBS = zirconium basic sulphate; ZOH = zirconium hydroxide; ZBC = zirconium carbonate; ZrO_2; Equivalent ~99% ZrO_2 + HfO_2 basis.

Nb-Ta concentrate = ~70% Nb_2O_5; 1.0% Ta_2O_5 calcined basis. LREE = Lanthanum, cerium and neodymium. YHREE = yttrium, gadolinium, dysprosium and terbium.

Current Program

The DPP operation has confirmed the process flow sheet, is providing engineering data for capital and operating cost estimates, and has also generated substantial product for market evaluation. Data from the DPP and Letters of Intent from future customers will be incorporated in the current Definitive Feasibility Study. A development decision is anticipated late 2010, with production possible mid 2012.

TZ Minerals International Pty Ltd in Perth are the program and feasibility study managers; a task they have been coordinating since the inception of the project in 1998.

ORANGE DISTRICT EXPLORATION JOINT VENTURE - ODEJV

GOLD, COPPER – NSW

Alkane Resources Ltd 49%, Newmont Australia Limited 51%

In August 2005, Alkane reached agreement with Newmont Australia Limited (Newmont) to farm-in to Alkane's Orange Project which includes the Molong and Moorilda tenements located near the city of Orange in the Central West of New South Wales, adjacent to Newcrest Mining Ltd's Cadia Valley Operations (~50Moz total resources). Newmont sole funded exploration and earned an initial 51% interest in the ODEJV during the year.

Recent exploration work 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 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 felsic to 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. Higher grade gold within the central sector of the deposit has associated copper mineralisation which may also have economic potential. Diamond core hole KPD003 in the centre of the deposit has returned an intercept of:

- KPD 003 366 metres grading 1.86g/t gold and 0.076% copper from 134 metres

Early in 2010, Newmont elected to increase their interest in the ODEJV to75% by completing a Bankable Feasibility Study (BFS). Newmont will sole fund all expenditures to complete the BFS. There are no time constraints to finalise this study. At Alkane's election, Newmont can earn a further 5% interest by securing funding for Alkane's share of any capital costs for the development.

Resource Potential

Newmont have run preliminary block models for resource compilation on the mineralised envelope and a conceptual exploration target of 2 to 4 million ounces of gold and 50,000 to 100,000 tonnes of copper can be assigned to McPhillamys at this stage. Mineralisation has been intersected to depths of 650 metres and remains open.

Further drilling and evaluation will be required to raise the conceptual exploration target to Identified Mineral Resource status.

Metallurgy

Preliminary metallurgical testing on core samples indicated standard CIL gold recoveries of 86 to 91%. Further work will be programmed to expand on the CIL work and also examine the potential for gravity and flotation recovery to include the copper mineralisation.

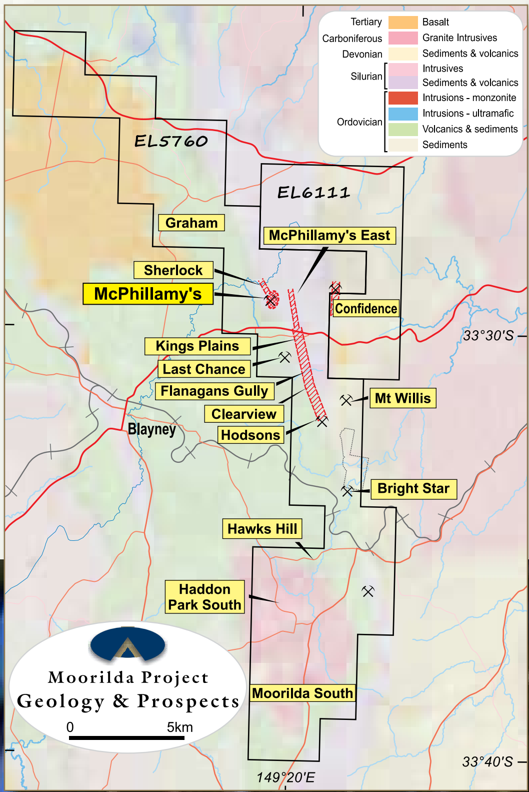
Development Concepts

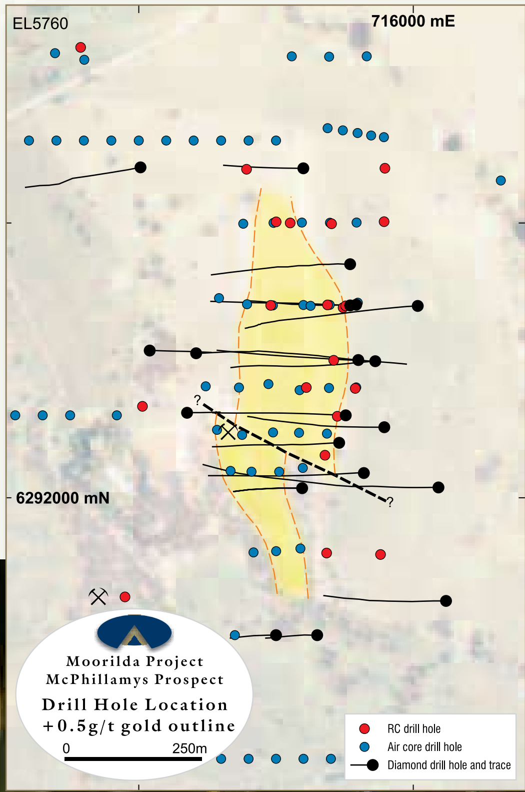
Newmont have completed a series of desk top studies to review development models which include various open pit scenarios and a possible underground block cave mining concept. These studies will be expanded as part of the BFS program.

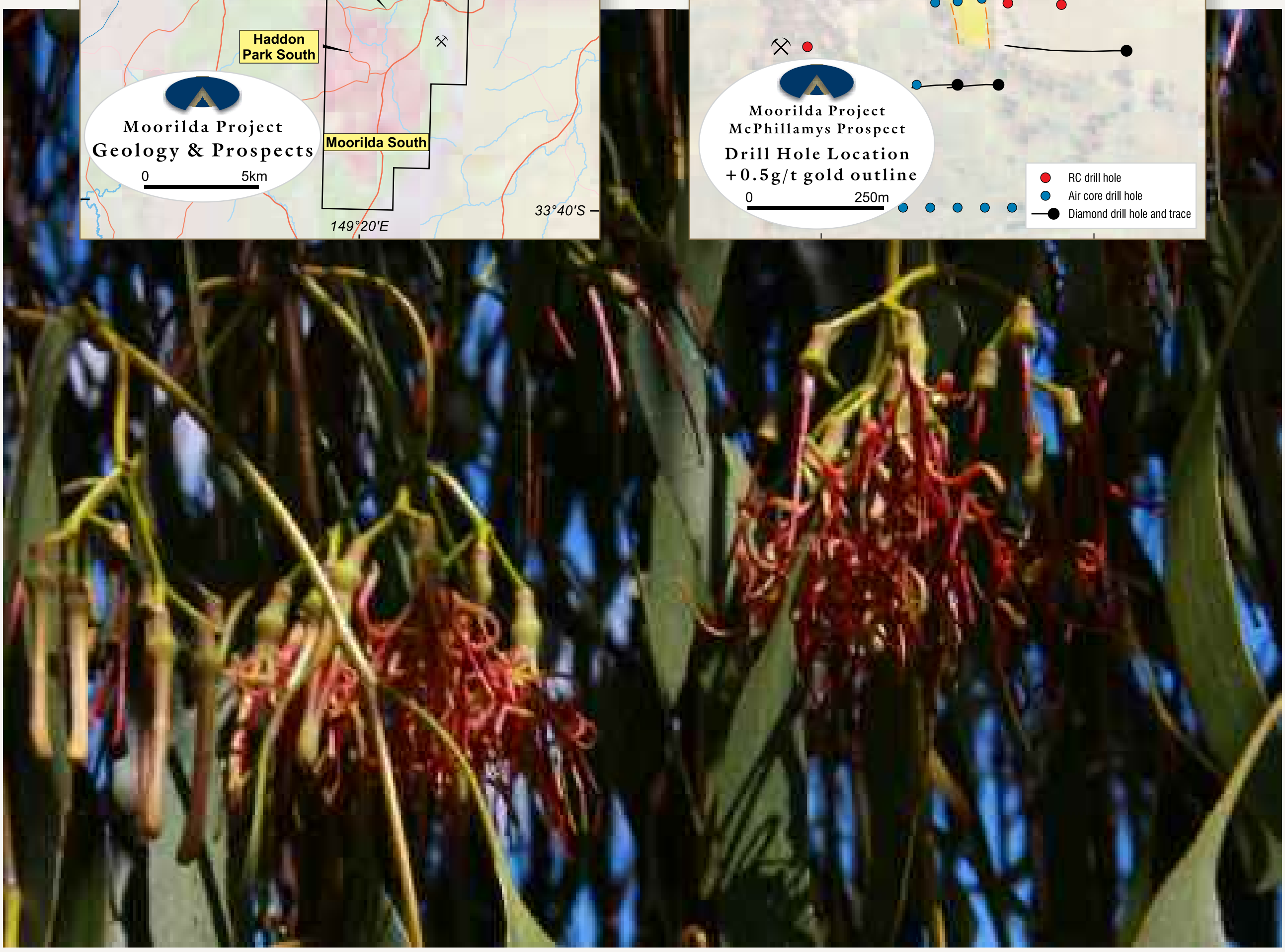
Regional Targets

A number of regional targets have been identified by geological mapping, soil sampling, multiple geophysical techniques and reconnaissance aircore drilling where ore grade intercepts have been recorded. These include Sherlock (adjacent to McPhillamys), McPhillamys East, Kings Plains, Last Chance, Flanagans Gully and Clearview forming a six kilometre long McPhillamys-equivalent stratigraphic target zone.

The Confidence mine area, located 3 kilometres to the east of McPhillamys, also presents another two kilometre target zone.


Tertiary
Basalt
Carboniferous
Granite Intrusives
Devonian
Sediments & volcanics
Silurian
Intrusives
Sediments & volcanics
Ordovician
Intrusions - monzonite
Intrusions - ultramafic
Volcanics & sediments
Sediments
EL5760
EL6111
Graham
McPhillamy's East
Sherlock
McPhillamy's
Confidence
33°30'S
Kings Plains
Last Chance
Flanagans Gully
Mt Willis
Clearview
Blayney
Hodsons
Bright Star
Hawks Hill
Haddon Park South
Moorilda Project
Geology & Prospects
0
5km
Moorilda South
149°20'E
33°40'S


EL5760
716000 mE
6292000 mN
Moorilda Project
McPhillamys Prospect
Drill Hole Location
+0.5g/t gold outline
0
250m
RC drill hole
Air core drill hole
Diamond drill hole and trace



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 2009:

DEPOSIT 0.5% CU CUT OFF	TONNAGE (t)	MEASURED GRADE (% Cu)	GRADE (g/t)	TONNAGE (t)	INDICATED GRADE (% Cu)	GRADE (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 were recommended for further work.

EXPLORATION

The Company has several other exploration projects in Central West of New South Wales, as well as a residual 23% reducing interest in a nickel sulphide joint venture with Xstrata Nickel at Leinster in Western Australia. Only limited work was completed at Leinster during the year.

Ground reconnaissance work was completed at Bodangora and Cudal, and the latter prospect generated a previously unexplored area of surface mineralisation to the west of the Bowen Park 1 prospect. The area is hosted by volcaniclastic conglomerates cut by several structures which appear to have demagnetised (altered) and brecciated the host rocks. Small monzonite intrusives have been mapped in the target area.

Rock chip samples collected over an area of about 750 metres by 100 metres returned peak results (not all coincident) of 17.2g/t Au, 196g/t Ag, 0.19% Cu, 2.6% Pb and 0.67% Zn. More than 50% of the samples gave gold grades in excess of 0.5g/t.

The area will be evaluated further prior to scheduling drill testing but it appears to represent a significant target zone.

Two new projects were added to the portfolio during the year as a result of regional evaluation for McPhillamys type mineralisation. Calula, located 30 kilometres north of Orange and Diamond Creek located 30 kilometres south of McPhillamys. Data compilation and ground reconnaissance have commenced.

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 continually to improve its standards in parallel with industry leading practice for both the Peak Hill Gold Mine decommissioning and closure, and for ongoing exploration and mine development.

A reputation for integrity and responsible behaviour motivates Alkane's employees and builds trust within the communities where we operate.

RISK POLICY & FRAMEWORK REVIEW

Alkane undertook a review of its risk policy and framework during 2007 when Deloitte (Perth) facilitated a risk assessment workshop for Alkane Directors and staff. An Operational Risk Management Sponsor has been appointed with the responsibility of keeping the policy and framework updated subject to formal approval of policy amendments by the Board. The Company is committed to actively managing risks to its operations.

OCCUPATIONAL HEALTH AND SAFETY

A full time site manager maintains the Peak Hill Gold Mine during decommissioning. The facilities at the mine site provide support for exploration activities on the Tomingley Gold Project 15km to the north of Peak Hill.

Alkane also maintains exploration offices in Dubbo and Orange to service the Group's tenements in the Central West of New South Wales.

Newmont Exploration Pty Ltd took over management of the Orange District Exploration Joint Venture in January 2009 and consequently Alkane exploration staff have shifted much of their attention to the Tomingley Gold Project and the Wellington district tenements.

Alkane has engaged numerous specialist consultants to work on the Tomingley Gold Project Definitive Feasibility Study and Environmental Assessment.

Alkane engaged four casual employees to work on the Dubbo Zirconia Project Demonstration Pilot Plant during 2009. This project is being conducted at ANSTO Minerals, Lucas Heights.

Three Lost Time Injuries (LTIs) were suffered by drilling contractors working on the Tomingley Gold Project. Two of those LTIs were reported to the NSW Department of Primary Industries because they resulted in the employees being unfit for work for a continuous period of seven days.

All incidents on the mine site were analysed and risks of repeat was minimised by remedial action.

OH&S RESULTS 2007-2009

	2007			2008			2009		
	MAN HRS	LTIS	MINOR INJURIES	MAN HRS	LTIS	MINOR INJURIES	MAN HRS	LTIS	MINOR INJURIES
Alkane	7,200	0	0	14,863	0	0	15,168	0	0
Contractors	0	0	0	10,660	1	0	9,603	3	0
Visitors	0	0	0	0	0	0	0	0	0
Total	7,200	0	0	25,523	1	0	24,771	3	0

ENVIRONMENT AND COMMUNITY 2009

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 2009.

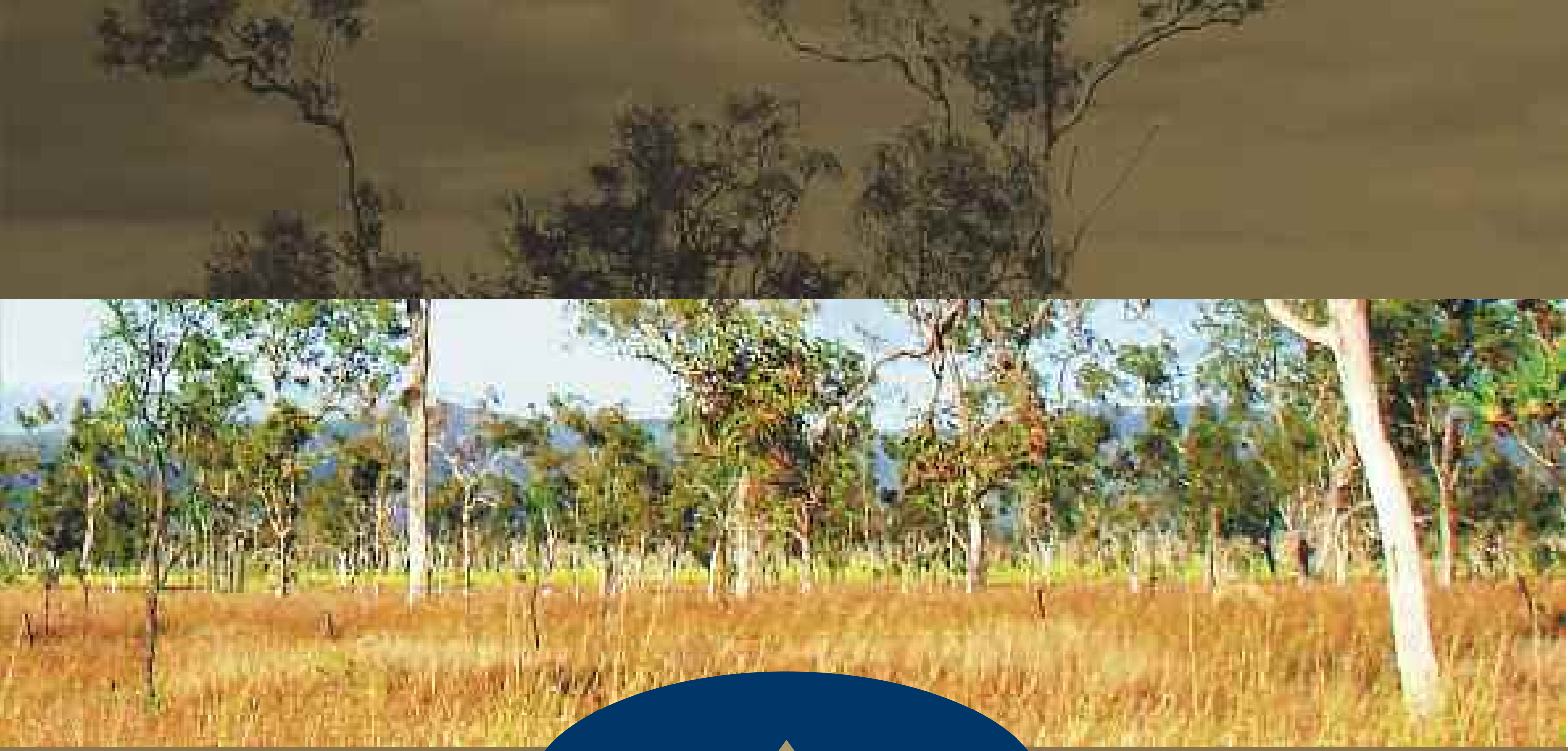
During 2009, the Company was in compliance with all consent conditions and approvals. An Annual Environmental Management Report meeting was held on site at Peak Hill on 21st May 2009 with a representative from Industry & Investment NSW. All of the Peak Hill Gold Mine leases were considered substantially rehabilitated and no further joint agency meetings will be required unless a special request is made. The rehabilitated final landforms across the mine site are becoming increasingly species rich. Several bird and mammal species, absent prior to mining (1996-2002), have re-established on the mining leases.

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

The Peak Hill Gold Mine, essentially on care and maintenance, is still a minor contributor to the local economy and community. In 2009, Alkane supported the Peak Hill Show Society, Tomingley Picnic Race Club, Narromine Council's fund raising for a public art project (bronze sculpture of Glenn McGrath) and Re-Engineering Australia Foundation - F1 in Schools Program.

The latter sponsorship of an Orana/Central West Hub is aimed at developing skills pathways into trades and engineering based technology careers.

There were no complaints received by the Company in 2009.



Financial Report 2009

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 2009.

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 profit of the Group for the financial year after income tax was $2,297,604 (2008 loss $17,898).

DIVIDENDS

No dividends have been paid by the Company during the financial year ended 31 December 2009, nor have the directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

The Company continues to be actively involved in mineral exploration and development, focussing on its core projects at Tomingley and Dubbo in New South Wales. A Definitive Feasibility Study for the development of the Tomingley gold deposits continued in 2009, and the Preliminary Environment Assessment for the project was lodged with the NSW Department of Planning.

The Demonstration Pilot Plant (DPP) for the Dubbo Zirconia Project has been constructed at the ANSTO facilities located at Lucas Heights near Sydney. The DPP operated in stages during the year to refine the flow sheet and to produce zirconium and niobium products for distribution to potential customers. Development of a yttrium and rare earth recovery circuit is in progress.

Work also continues on Company's other exploration projects including the Orange District Exploration Joint Venture with Newmont Australia where the significant gold discovery at McPhillamys was enhanced by further drilling during the year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO BALANCE DATE

No other matter or circumstance has arisen since 31 December 2009 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 2009.

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 working with the Industry and Investment NSW and Department of Environment, Climate Change and Water to ensure compliance with all licence conditions. The Company employs a full time environmental manager.

ENVIRONMENTAL REGULATION (continued)

Exploration

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

General

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

PARTICULARS OF DIRECTORS

John Stuart Ferguson Dunlop (Non-Executive Chairman)

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

Appointed director and Chairman 3 July 2006

Mr Dunlop (59) is a consultant mining engineer with about 40 years surface and underground mining experience both in Australia and overseas. He is a former director of the Australian Institute of Mining and Metallurgy (2001 - 2006) and is currently Chairman of its affiliate, the Mineral Industry Consultants Association.

Mr Dunlop is non-executive chairman of Alliance Resources Ltd and of Drummond Gold Ltd (appointed 1 August 2008), a non-executive director of Gippsland Ltd and of Copper Strike Ltd (appointed 1 August 2009). Former public company directorships in the previous 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 (61) is a geologist and graduate of the Western Australian Institute of Technology (Curtin University) and has a Master of Science degree from the University of Leicester in the United Kingdom. He has worked in the mining and exploration industry for over 40 years, during which time he has had experience in all facets of exploration 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 2008) and Northern Star Resources Ltd (May 2000 to September 2008).

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

FAICD

Appointed director 10 June 1986

Mr Cornelius (69) 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 (52) 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 and chairman of Gippsland Limited.

Mr Gandel is a member of the audit committee

Anthony Dean Lethlean (Non-executive Director)
BAppSc(geology)
Appointed director 30 May 2002
Mr Lethlean (46) is a geologist with over 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 substantial shareholder in 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 (64) is a member of the Institute of Chartered Accountants in Australia with 15 years experience in the profession and a further 32 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 (49) 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, Austral Africa Resources Ltd and General Mining Corporation 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 2009 and the number of meetings attended by each director.

There were nine (9) Directors' meetings, two (2) Audit, three (3) Nomination 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	2	2	3	3	2	2
D I Chalmers	9	9	n/a	n/a	3	3	2	2
I R Cornelius	9	7	n/a	n/a	3	2	2	1
I J Gandel	9	9	2	2	3	3	2	2
A D Lethlean	9	9	2	2	3	3	2	2

SHARE OPTIONS
There were no unissued ordinary shares of Alkane Resources Ltd under option at the date of this report.

No person who was 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 $606,134 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 $1,200 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) 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.

REMUNERATION REPORT (continued)

Director's fees

Directors' fees are determined within an aggregate directors' fee pool limit (currently $450,000 per annum), which is periodically recommended for approval by shareholders. This amount is separate from any specific tasks the directors may take on for the Company. For example, Multi Metal Consultants Pty Ltd of which Mr 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	
	2009 $	2008 $	**2009 $**	2008 $
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.	**893,168**	964,600	**817,333**	825,565

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				
2009				
D I Chalmers	**672,015***	-	-	**672,015**

* $66,000 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				
2009				
J S F Dunlop	**71,160**	-	-	**71,160**
I R Cornelius	**50,000**	-	-	**50,000**
I J Gandel	**50,000**	-	-	**50,000**
A D Lethlean	**49,992**	-	-	**49,992**
	221,152*	-	-	**221,152**

* $219,953 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

REMUNERATION REPORT (continued)

Name	Short-term benefits Cash Salary and fees $	Post-employment benefits Superannuation $	Share-based payment $	Total $
2009				
L A Colless	**63,000***	**-**	**-**	**63,000**
K E Brown	**63,000***	**-**	**-**	**63,000**
	126,000	**-**	**-**	**126,000**

* 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.

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

* 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 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.

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	76,550	-	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

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*	-	-	89,250
K E Brown	36,750*	-	-	36,750
	126,000	-	-	126,000

* 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.

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 2009

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 2009.

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 2009.

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.

REMUNERATION REPORT (continued)

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 2008	19 April 2009	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. The options were not necessarily issued to each director personally, but may have been issued to their nominee as provided for at the time of grant. The numbers appearing against each name was not necessarily the name in which those options were issued.

Name	Number of options granted		Number of options vested	
	2009	2008	2009	2008
Directors of Alkane Resources Ltd				
J S Dunlop	-	-	-	500,000
I R Cornelius	-	-	-	500,000
A D Lethlean	-	-	-	500,000
D I Chalmers	-	-	-	500,000
I J Gandel	-	-	-	500,000
Other Key Management personnel				
L A Colless	-	-	-	500,000
K E Brown	-	-	-	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	
		2009	2008
Directors of Alkane Resources Ltd			
J S F 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
I J Gandel	25 September 2009	500,000	-
J S Dunlop	25 September 2009	495,000	-
I R Cornelius	29 September 2009	1,000,000	-
A D Lethlean	29 September 2009	317,426	-
A D Lethlean	30 September 2009	176,570	-
J S F Dunlop	30 September 2009	5,000	-
D I Chalmers	30 September 2009	500,000	-
Other Key Management Personnel			
L A Colless	30 May 2008	-	500,000
K E Brown	30 May 2008	-	250,000
L A Colless	29 September 2009	500,000	-
K E Brown	29 September 2009	250,000	-

REMUNERATION REPORT (continued)

D. Share-based payments (audited) cont ...

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 September 2009	$0.30

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

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

Shares issued on the exercise of options
The following ordinary shares of Alkane Resources Ltd were issued during the year ended 31 December 2009 on the exercise of options

Date options granted	Issue price of shares	Number of shares issued
19/04/2007	$0.30	4,393,996

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 Secretaries, there were no other key management personnel during the financial year.

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

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

The liability insured is the indemnification of the Company against any legal liability to third parties arising out of any directors or officers duties in their capacity as a director or officer other than indemnification not permitted by law.

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

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

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

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 2009 annual financial statements; and
>
> ii) no contraventions of any applicable code of professional conduct in relation to the audit.
>
> Graham Swan (Lead auditor)
> Rothsay Chartered Accountants"
> Dated 24 March 2010

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	**2009 $**	**2008 $**
Auditor's remuneration		
- auditing the accounts	39,100	42,500
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 24th day of March 2010

		Consolidated		Parent entity	
	Note	2009 $	2008 $	2009 $	2008 $
Revenue from continuing operations					
Rent received		**29,783**	67,831	**29,783**	67,831
Revenue from sale of assets		**4,093,340**	-	**4,093,340**	-
Interest received or due and receivable from other corporations		**227,063**	723,042	**223,125**	712,854
Government grant		**356,340**	1,489,772	**356,340**	1,489,772
Other revenue		**7,601**	121,626	**7,601**	121,626
		4,714,127	2,402,271	**4,710,189**	2,392,083
Expenses from continuing operations					
Rent		**(47,000)**	(68,628)	**(47,000)**	(68,628)
Filing fees		**(46,490)**	(35,575)	**(34,949)**	(26,949)
Annual reports		**(18,333)**	(19,833)	**(18,333)**	(19,833)
Directors' corporate consulting		**(386,513)**	(431,181)	**(386,503)**	(431,181)
Consulting, administration and secretarial		**(108,738)**	(140,971)	**(86,275)**	(98,955)
Public relations		**(124,630)**	(113,659)	**(124,630)**	(113,659)
Travel, entertainment & seminars		**(52,897)**	(75,525)	**(52,897)**	(75,525)
Insurances		**(118,554)**	(57,614)	**(118,554)**	(58,368)
Provision for subsidiaries		**-**	-	**(756,578)**	(719,751)
Administration expenses		**(47,812)**	(12,589)	**(46,520)**	(43,408)
Audit fees	26	**(39,100)**	(42,500)	**(39,100)**	(42,500)
Auditor - other services		**(8,000)**	(8,000)	**(8,000)**	(8,000)
Share based remuneration	21	**(2,805)**	(197,476)	**(2,805)**	(197,476)
Depreciation		**(48,777)**	(49,325)	**(48,777)**	(49,325)
Peak Hill minesite maintenance and rehabilitation		**(129,661)**	(122,106)	**(129,661)**	(122,106)
Exploration costs		**(1,219,547)**	(1,015,344)	**(494,337)**	(304,474)
Provision for quoted shares		**1,860**	(3,574)	**1,860**	(3,574)
Provision for employee entitlements		**(19,526)**	(26,269)	**(19,526)**	(26,269)
		(2,416,523)	(2,420,169)	**(2,412,585)**	(2,409,981)
Profit/(Loss) before income tax		**2,297,604**	(17,898)	**2,297,604**	(17,898)
Income tax attributable	2	**-**	-	**-**	-
Profit/(Loss) for the year		**2,297,604**	(17,898)	**2,297,604**	(17,898)
Other comprehensive income					
Changes in the fair value of quoted shares		**8,695,000**	(11,973,236)	**8,695,000**	(11,973,236)
Total comprehensive income/(loss) for the year		**10,992,604**	(11,991,134)	**10,992,604**	(11,991,134)
Comprehensive income/(loss) is attributable to:					
Members of Alkane Resources Ltd		**10,992,659**	(11,991,079)	**10,992,604**	(11,991,134)
Minority interests		**(55)**	(55)	**-**	-
		10,992,604	(11,991,134)	**10,992,604**	(11,991,134)
Profit/(Loss) is attributable to:					
Members of Alkane Resources Ltd	18	**2,297,659**	(17,843)	**2,297,604**	(17,898)
Minority interests		**(55)**	(55)	**-**	-
		2,297,604	(17,898)	**2,297,604**	(17,898)
Earnings per share for loss attributable to the ordinary equity holders of the Company	23	**$0.01**	($0.00)	**$0.01**	($0.00)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

		Consolidated		Parent entity	
		2009	2008	2009	2008
	Note	$	$	$	$
Current Assets					
Cash and cash equivalent	19	**4,831,721**	8,324,003	**4,828,980**	8,282,818
Receivables	3	**220,633**	756,389	**174,457**	749,453
Available for sale financial assets	4	**5,928,000**	1,140	**5,928,000**	1,140
Other financial assets		**-**	-	**-**	-
Total Current Assets		**10,980,354**	9,081,532	**10,931,437**	9,033,411
Non-Current Assets					
Available for sale financial assets	5	**-**	1,710,000	**-**	1,710,000
Held-to-maturity investments	6	**-**	-	**12,926,686**	10,561,863
Property, plant & equipment	7	**1,084,476**	1,015,048	**913,485**	864,057
Capitalised exploration and evaluation expenditure	8	**31,993,916**	25,035,092	**18,965,123**	14,501,659
Other financial assets	9	**495,821**	469,693	**389,687**	367,266
Total Non-Current Assets		**33,574,213**	28,229,833	**33,194,981**	28,004,845
Total Assets		**44,554,567**	37,311,365	**44,126,418**	37,038,256
Current Liabilities					
Payables	10	**637,667**	1,241,653	**209,518**	968,544
Provisions	11	**72,171**	61,220	**72,171**	61,220
Total Current Liabilities		**709,838**	1,302,873	**281,689**	1,029,764
Non-Current Liabilities					
Provisions	11	**145,798**	137,224	**145,798**	137,224
Total Non-Current Liabilities		**145,798**	137,224	**145,798**	137,224
Total Liabilities		**855,636**	1,440,097	**427,487**	1,166,988
Net Assets		**43,698,931**	35,871,268	**43,698,931**	35,871,268
Equity					
Contributed equity	12	**62,079,683**	60,121,618	**62,079,683**	60,121,618
Reserves	14	**5,920,000**	2,348,006	**5,920,000**	2,348,006
Accumulated losses	14	**(24,418,320)**	(26,715,979)	**(24,300,752)**	(26,598,356)
Total parent entity interest		**43,581,363**	35,753,645	**43,698,931**	35,871,268
Outside equity interests in controlled entities		**117,568**	117,623	**-**	-
Total Equity		**43,698,931**	35,871,268	**43,698,931**	35,871,268

The accompanying notes form part of these financial statements.

Consolidated	Notes	Attributable to members of Alkane Resources Ltd: 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**
Total comprehensive income/(loss) 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**

Consolidated	Notes	Attributable to members of Alkane Resources Ltd: Contributed equity $'000	Reserves $'000	Retained earnings $'000	Minority Interest $'000	Total equity $'000
Balance at 1 January 2009		**60,122**	**2,348**	**(26,716)**	**117**	**35,871**
Total comprehensive income/(loss) for the year		**-**	**8,695**	**2,298**	**-**	**10,993**
Contributions of equity, net of transaction costs	12	1,308	-	-	-	1,308
Realisation of reserve on disposal of asset	14A	-	(4,476)	-	-	(4,476)
Share options expenses	14A	-	3	-	-	3
Shares issued on exercise of options	14A	646	(646)	-	-	-
Transfer from share options reserve		4	(4)	-	-	-
Balance at 31 December 2009		**62,080**	**5,920**	**(24,418)**	**117**	**43,699**

The accompanying notes form part of these financial statements

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Cash Flows from Operating Activities					
Rent received		**29,783**	67,831	**29,783**	67,831
Payments to suppliers (inclusive of goods and services tax)		**(709,019)**	(2,139,231)	**(584,037)**	(2,196,955)
Other income		**7,601**	121,626	**7,601**	121,626
Interest received		**227,063**	723,042	**223,125**	712,854
Goods and services tax receipts		**119,327**	743,477	**116,744**	611,239
Net cash from operating activities	20	**(325,245)**	(483,255)	**(206,784)**	(683,405)
Cash Flows from Investing Activities					
Purchase of plant, property & equipment		**(118,205)**	(239,745)	**(98,205)**	(219,745)
Proceeds from sale of investment securities		**4,097,340**	-	**4,097,340**	-
Payments for loans to subsidiaries		**-**	-	**(3,121,400)**	(3,408,076)
Proceeds from security deposits		**-**	2,155	**-**	-
Payments for security deposits		**(26,128)**	(31,537)	**(22,421)**	(31,537)
Exploration expenditure		**(8,784,638)**	(7,804,838)	**(5,766,962)**	(4,242,695)
Net cash provided for investing activities		**(4,831,631)**	(8,073,965)	**(4,911,648)**	(7,902,053)
Cash Flows from Financing Activities					
Proceeds from issue of shares and options		**1,318,199**	8,991,199	**1,318,199**	8,991,199
Cost of share issues		**(9,945)**	(26,604)	**(9,945)**	(26,604)
Receipts from Commercial Ready Grant		**356,340**	1,210,005	**356,340**	1,210,005
Net cash flow from financing activities		**1,664,594**	10,174,600	**1,664,594**	10,174,600
Net increase (decrease) in cash and cash equivalents		**(3,492,282)**	1,617,380	**(3,453,838)**	1,589,142
Cash and cash equivalents at the beginning of the financial year		**8,324,003**	6,706,623	**8,282,818**	6,693,676
Cash and cash equivalents at the end of the financial year	19	**4,831,721**	8,324,003	**4,828,980**	8,282,818

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 convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities at fair value through profit or loss. Cost is based on the fair values of the consideration given in exchange for assets.

b) **Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alkane Resources Ltd ("the Company") as at 31 December 2009 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Alkane Resources Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

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

Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated Statement of Comprehensive Income and Statement of Financial Position respectively.

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

c) **Income Tax**

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the 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 Statement of Financial Position 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.

1. Statement of Accounting Policies (Continued)

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

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

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

- receivables and payables are stated with the amount of GST included.

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

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

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

e) **Segment Reporting**
Segment information is presented on the same basis as that used for internal 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as the managing director.

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 Statement of Comprehensive Income 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 Statement of Comprehensive Income.

k) **Fair Value Estimation**

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

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

l) **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 as follows:

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

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.

1. Statement of Accounting Policies (Continued)

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 Group in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farm out continues to be carried forward without adjustment, unless the terms of the farm out indicate that the value of the exploration expenditure carried forward is excessive based on the diluted interest retained or it is not thought appropriate to do so. A provision is made to reduce exploration expenditure carried forward to its recoverable or appropriate amount. Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property.

s) **Exploration expenditure**

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

i) the area has proven commercially recoverable reserves; or

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

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

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

- the period for which the 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) **Restoration, rehabilitation and environment expenditure**

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

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

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

u) **Employee benefits**

Wages and salaries, annual leave and sick leave

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

u) **Employee benefits (Continued)**

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.

v) **Contributed Equity**

Ordinary shares are classified as equity.

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

w) **Earnings per share**

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

x) **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.

y) **Comparative figures**

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

z) **New accounting standards and interpretations**

The Group has adopted the following new and amended Australian Accounting Standards and interpretations as of 1 January 2009:

- AASB 7 *Financial Instruments*
- AASB 8 *Operating Segments*
- AASB 101 *Revised Presentation of Financial Statements*
- AASB 123 *Borrowing Costs*
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 2007-8 Amendment to Australian Accounting Standards arising from AASB 101
- AASB 2008-1 Amendment to Australian Accounting Standards Share Based Payments: Vesting Conditions and Cancellations
- AASB 2008-5 Amendment to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008-7 Amendment to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- AASB 2009-2 Amendments to Australian Accounting Standards arising from AASB 4, AASB 7, AASB 1012 and AASB 1038

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below.

AASB 8 *Operating Segments*

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114.

1. Statement of Accounting Policies (Continued)

z) New accounting standards and interpretations (continued)

AASB 101 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one statement.

The following Applicable Australian Accounting Standards have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2009. The Group has not been able to fully assess the impact of these revised standards:

- AASB 3 (revised) Business Combinations
- AASB 127 (revised) Consolidated and Separate Financial Statements
- AASB 2008-3 Amendment to Australian Accounting Standards arising from AASB 3 and 127
- AASB 2008-6 Amendment to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2008-8 Amendment to Australian Accounting Standards – Eligible Hedged Items
- AASB 2009-4 Amendment to Australian Accounting Standards arising from the Annual Improvements Project (AASB 2 and AASB 138 and AASB Interpretations 9 & 16)
- AASB 2009-5 Amendment to Australian Accounting Standards arising from the Annual Improvements Project (AASB5, 8, 101, 107, 117, 118, 136 & 139)
- AASB 2009-8 Amendment to Australian Accounting Standards – Group Cash-settled Share Based Payment Transactions (AASB 2)
- AASB 9 Financial Instruments

aa) Critical accounting estimates & judgements

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

i) Significant accounting judgements

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

Capitalisation of exploration and evaluation expenditure

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

ii) Significant accounting estimates and assumptions

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

Impairment of capitalised exploration and evaluation expenditure

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

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

As at 31 December 2009, the carrying value of exploration expenditure of the group is $31,993,916.

	Consolidated		Parent entity	
	2009 $	2008 $	**2009 $**	2008 $
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	**2,297,604**	(17,898)	**2,297,604**	(17,898)
Prima facie tax payable at 30 %	**689,281**	(5,369)	**689,281**	(5,369)
Add: tax effect of amounts which are not deductible (taxable) in calculating taxable income				
Share based payments	**842**	59,243	**842**	59,243
Adjustments in respect of deferred income tax of previous years	**7,085,130**	5,117,422	**4,202,497**	3,026,036
Tax losses not brought to account as a deferred tax	**(7,775,253)**	(5,171,296)	**(4,892,620)**	(3,079,910)
	-	-	**-**	-
c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised				
Potential tax benefit at 30%	**13,559,960**	12,168,293	**10,721,802**	11,135,864
d) Unrecognised temporary differences				
Deferred tax liabilities – capitalised exploration	**(9,232,311)**	(7,205,924)	**(5,541,536)**	(4,259,156)
Deferred tax assets – accrued expenses	**-**	59,533	**-**	59,533
Deferred tax assets – provisions	**65,391**	-	**65,391**	207,825
Deferred tax assets – revenue tax losses	**13,559,960**	12,168,293	**10,721,802**	11,135,864
Total deferred tax asset not recognised	**13,625,351**	12,227,826	**10,787,193**	11,403,222
Net deferred tax asset	**4,393,040**	5,021,902	**5,245,657**	7,144,066

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	
	2009 $	2008 $	**2009 $**	2008 $
3. Trade and other Receivables (Current)				
Debtors including GST refunds	**220,633**	756,389	**174,457**	749,453
4. Available for sale financial assets (Current)				
Quoted Shares - fair value less than cost				
Opening balance at 1 January	**1,140**	7,950	**1,140**	7,950
Net gain (loss) from fair value adjustment	**1,860**	(6,810)	**1,860**	(6,810)
Closing balance at 31 December	**3,000**	1,140	**3,000**	1,140
Quoted Shares - fair value greater than cost				
Opening balance at 1 January	**1,710,000**	-	**1,710,000**	-
Net gain (loss) from fair value adjustment	**8,695,000**	-	**8,695,000**	-
Disposals during the year	**(4,480,000)**	-	**(4,480,000)**	-
Closing balance at 31 December	**5,925,000**	-	**5,925,000**	-
Closing balance at 31 December	**5,928,000**	1,140	**5,928,000**	1,140

		Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$	$	**$**	$
5.	**Available for sale financial assets (Non-Current)**				
	Quoted Shares - At fair value				
	Opening balance at 1 January	**-**	13,680,000	**-**	13,680,000
	Net gain (loss) from fair value adjustment	**-**	(11,970,000)	**-**	(11,970,000)
	Closing balance at 31 December	**-**	1,710,000	**-**	1,710,000
6.	**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	**-**	-	**12,978,386**	9,570,310
	Addition	**-**	-	**3,121,401**	3,408,076
	Closing balance at 31 December	**-**	-	**16,099,787**	12,978,386
	Accumulated net gain (loss) from fair value adjustment	**-**	-	**(9,038,666)**	(8,282,088)
		-	-	**12,926,686**	10,561,863
7.	**Property, Plant And Equipment**				
	Property, plant & equipment - at cost	**1,356,845**	1,265,049	**1,169,757**	1,086,741
	Less: Accumulated depreciation	**(272,369)**	(250,001)	**(256,272)**	(222,684)
		1,084,476	1,015,048	**913,485**	864,057
	Reconciliation of carrying amount				
	Opening balance at 1 January	**1,015,048**	824,628	**864,057**	693,637
	Plant & equipment acquired during year	**118,205**	239,745	**98,205**	219,745
	Depreciation during year	**(48,777)**	(49,325)	**(48,777)**	(49,325)
	Closing balance at 31 December	**1,084,476**	1,015,048	**913,485**	864,057
8.	**Exploration and Development Expenditure (Non-Current)**				
	Accumulated contributions to other ongoing exploration projects at fair value				
	Opening balance at 1 January	**25,035,091**	18,245,597	**14,501,658**	10,563,438
	Expenditure during the period	**8,178,372**	7,572,767	**4,957,802**	4,010,623
	Net gain (loss) from fair value adjustment	**(1,219,547)**	(783,272)	**(494,337)**	(72,402)
	Closing balance at 31 December	**31,993,916**	25,035,092	**18,965,123**	14,501,659

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

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

		Consolidated		Parent entity	
		2009	2008	**2009**	2008
		$	$	**$**	$
9.	**Other financial assets (Non-Current)**				
	Interest bearing security deposits (not available for use)	**495,821**	469,693	**389,687**	367,266
		495,821	469,693	**389,687**	367,266
10.	**Trade and other Payables (Current Liabilities)**				
	Trade creditors	**637,667**	1,241,653	**209,518**	968,544
		637,667	1,241,653	**209,518**	968,544
11.	**Provisions (Current Liabilities)**				
	Provision for annual leave	**72,171**	61,220	**72,171**	61,220
		72,171	61,220	**72,171**	61,220
	Provisions (Non-current Liabilities)				
	Provision for redundancy/long service leave	**145,798**	137,224	**145,798**	137,224

		Parent entity			
		2009		**2008**	
		Number	**$**	**Number**	**$**
12.	**Contributed Equity**				
	Share Capital				
	Ordinary shares – Fully paid	**249,028,158**	**62,079,683**	244,634,162	60,121,618
	Movements in ordinary share capital				
	Opening balance at 1 January	**244,634,162**	**61,247,362**	215,888,726	51,902,846
	Rights issue	**-**	**-**	25,783,436	8,250,699
	Exercise of options	**4,393,996**	**1,318,199**	2,962,000	740,500
	Share option reserve transferred	**-**	**649,811**	-	353,317
	Closing balance at 31 December	**249,028,158**	**63,215,372**	244,634,162	61,247,362
	Less: Costs of Issues	**-**	**(1,135,689)**	-	(1,125,744)
	As per Statement of Financial Position	**249,028,158**	**62,079,683**	244,634,162	60,121,618

Terms and conditions of ordinary shares:

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

13. Options on Issue

	Parent entity	
	2009	2008
	Number	Number
Exercisable at 45 cents each expiring 29 May 2008	**-**	-
Movements in these options:		
Balance at beginning of year	**-**	975,000
Expired during year	**-**	(975,000)
Balance 31 December	**-**	-
Exercisable at 25 cents each expiring 30 Sep 2008	**-**	-
Movements in these options:		
Balance at beginning of year	**-**	3,350,000
Issued during year	**-**	-
Exercised during the year	**-**	(2,962,000)
Expired during the year	**-**	(388,000)
Balance 31 December	**-**	-
Exercisable at 30 cents each vesting 19 Apr 2009 expiring 30 Sep 2009	**-**	4,400,000
Movements in these options:		
Balance at beginning of year	**4,400,000**	4,200,000
Issued during year	**-**	200,000
Exercised during the year	**(4,393,996)**	-
Expired during the year	**(6,004)**	-
Balance 31 December	**-**	4,400,000
Exercisable at 30 cents each vesting 31 Aug 2009 expiring 30 Sep 2009	**-**	**-**
Movements in these options:		
Balance at beginning of year	**-**	**-**
Issued during year	**50,000**	**-**
Expired during the year	**(50,000)**	**-**
Balance 31 December	**-**	**-**

14. **Reserves and Accumulated Losses**

(A) RESERVES

	Consolidated		Parent entity	
	2009 $	2008 $	**2009 $**	2008 $
Share-based payments reserve	**-**	647,006	**-**	647,006
Movement:				
Balance 1 January	**647,006**	802,847	**647,006**	802,847
Employee Option expense	**2,805**	197,476	**2,805**	197,476
Issue of shares to employees	**(646,141)**	(353,317)	**(646,141)**	(353,317)
Expired options	**(3,670)**	-	**(3,670)**	-
Balance 31 December	**-**	647,006	**-**	647,006
Share Investment Revaluation Reserve	**5,920,000**	1,701,000	**5,920,000**	1,701,000
Movement:				
Balance 1 January	**1,701,000**	13,674,236	**1,701,000**	13,674,236
Revaluation	**8,695,000**	(11,973,236)	**8,695,000**	(11,973,236)
Realised on disposal of shares	**(4,476,000)**	-	**(4,476,000)**	-
Balance 31 December	**5,920,000**	1,701,000	**5,920,000**	1,701,000
(B) ACCUMULATED LOSSES				
Balance 1 January	**(26,715,979)**	(26,698,136)	**(26,598,356)**	(26,580,458)
Loss for the year after related income tax expense	**2,297,659**	(17,843)	**2,297,604**	(17,898)
Balance 31 December	**(24,418,320)**	(26,715,979)	**(24,300,752)**	(26,598,356)

(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.

The available-for-sale investments revaluation reserve is used to recognise the fair value of available-for-sale financial assets.

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)

G Menzies

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 $606,134 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 $1,200 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) 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	$4,166
b) I J Gandel	$4,167
c) J S Dunlop	$6,542
d) D I Chalmers	$49,604
e) L A Colless & K E Brown	$9,899

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	-	3,193,059	-	-
A D Lethlean	-	393,996	-	-
D I Chalmers	4,536	1,967,148	-	-
I J Gandel	-	70,911,964	-	-
J S Dunlop	-	790,000	-	-
L A Colless	24,405	602,000[(a)]	-	-
K E Brown	58,324	300,000[(a)]	-	-
L A Colless & K E Brown in joint interests	-	284,849[(b)]	-	-

(a) Held by MAS Superfund and other related parties for the benefit of the respective key management personnel

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

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	**2,693,059**	**-**	**500,000**	**3,193,059**
A D Lethlean	**212,000**	**(312,000)**	**493,996**	**393,996**
D I Chalmers	**1,471,684**	**-**	**500,000**	**1,971,684**
I J Gandel	**70,411,964**	**-**	**500,000**	**70,911,964**
J S Dunlop	**500,000**	**(210,000)**	**500,000**	**790,000**
Key Management Personnel				
L A Colless	**526,405**	**(400,000)**	**500,000**	**626,405**
K E Brown	**308,324**	**(200,000)**	**250,000**	**358,324**
L A Colless & K E Brown in joint interests	**284,849**	**-**	**-**	**284,849**
Total shares	**76,408,285**	**(1,122,000)**	**3,243,996**	**78,530,281**
(2) Options				
Directors				
I R Cornelius	**500,000**	**(500,000)**	**-**	**-**
A D Lethlean	**500,000**	**(500,000)**	**-**	**-**
D I Chalmers	**500,000**	**(500,000)**	**-**	**-**
I J Gandel	**500,000**	**(500,000)**	**-**	**-**
J S Dunlop	**500,000**	**(500,000)**	**-**	**-**
Key Management Personnel				
L A Colless	**500,000**	**(500,000)**	**-**	**-**
K E Brown	**250,000**	**(250,000)**	**-**	**-**
Total Options	**3,250,000**	**(3,250,000)**	**-**	**-**

2008

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

15. Key Management Personnel Disclosure (Continued)

E) Key Management Personnel Disclosure(Continued)

2008

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	(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

* Expired during the year

F) Key management personnel compensation

	2009 $	2008 $
Short term employee benefits	**893,168**	1,004,939
Post-employment benefits	**-**	-
Long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**-**	121,665
	893,168	1,126,604

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

17. Related Party Transactions

Directors (current)			Consolidated		Parent entity	
Type of transaction	Related party Directors	Terms and conditions	2009 $	2008 $	2009 $	2008 $
Management consulting	J S F Dunlop	Normal commercial	**1,200**	8,250	**1,200**	8,250
Director's retainer			**69,960**	68,310	**69,960**	68,310
Geological consulting, including geological and technical support staff	D I Chalmers	Normal commercial	**606,014**	577,228	**530,179**	439,193
Director's retainer			**66,000**	61,500	**66,000**	61,500
Management consulting	I R Cornelius	Normal commercial	**-**	2,400	**-**	2,400
Director's retainer			**50,000**	49,167	**50,000**	49,167
Director's consulting	I J Gandel	Normal commercial	**-**	5,400	**-**	5,400
Director's retainer			**50,000**	49,167	**50,000**	49,167
Consulting	A D Lethlean	Normal commercial	**-**	7,941	**-**	7,941
Directors' retainer			**49,992**	49,576	**49,992**	49,576

18. Controlled Entities

			Book value		Equity		Contribution to Group	
Name	Inc	Class	2009 $	2008 $	2009 %	2008 %	2009 $	2008 $
Australian Zirconia Ltd	WA	Ord	**1**	1	**100**	100	**(728,089)**	(684,904)
Skyray Properties Ltd	BVI	Ord	**2,300,000**	2,300,000	**100**	100	**(8,847)**	(6,144)
Kiwi Australian Resources Pty Ltd	NSW	Ord	**-**	-	**100**	100	**(212)**	-
LFB Resources NL	NSW	Ord	**3,558,700**	3,558,700	**100**	100	**(19,218)**	(28,492)
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							**(756,523)**	(719,697)
Parent –Alkane Resources Ltd							**3,054,182**	701,854
Profit (loss) for year – group							**2,297,659**	(17,843)
Loans to (from) subsidiaries			**16,099,787**	12,978,387				
Provision for loss			**(9,038,666)**	(8,282,089)				
Parent net investment in subsidiaries			**12,926,686**	10,561,863				

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 Statement of Financial Position as follows:

	Consolidated		Parent entity	
	2009 $	2008 $	2009 $	2008 $
Cash at bank	**4,579,130**	6,081,482	**4,576,389**	6,040,297
Call deposits	**252,591**	2,242,521	**252,591**	2,242,521
	4,831,721	8,324,003	**4,828,980**	8,282,818

Cash at bank bears a weighted average interest rate of 3.29% (2008: 3.75%)

	Consolidated		Parent entity	
	2009	2008	**2009**	2008
	$	$	**$**	$
20. Reconciliation Of Net Cash Outflow From Operating Activities To Operating Loss After Income Tax				
Operating Profit (Loss)	**2,297,604**	(17,898)	**2,297,604**	(17,898)
Non-cash fair value adjustments				
• Depreciation and amortisation	**771,188**	49,325	**48,777**	49,325
• Movements in Provisions	**17,666**	29,843	**774,243**	749,594
Share based payments	**2,805**	197,476	**2,805**	197,476
Grant received	**(356,340)**	(1,489,772)	**(356,340)**	(1,489,772)
Exploration	**1,103,402**	1,015,344	**1,303,497**	304,474
Profit on sale of assets	**(4.093,340)**	-	**(4.093,340)**	-
Changes in net current assets and liabilities				
• Decrease (increase) in Trade and other receivables	**535,756**	(339,332)	**574,996**	346,836)
• Decrease (increase) in Trade and other payables	**(603,986)**	71,759	**(759,026)**	(129,768)
Net cash provided for operating activities	**(325,245)**	(483,255)	**(206,784)**	(683,405)

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 2009

Grant Date	Expiry date	Exercise price	Balance at the start of the year (Number)	Granted during the financial period (Number)	Exercised during the financial period	Expired during the financial period	Balance at end of the financial period (Number)	Vested and exercisable at end of financial period (Number)
Director options								
19 April 2008	**30 Sep 2009**	**$0.30**	**2,500,000**	**-**	**(2,493,996)**	**(6,004)**	**-**	**-**
Company Secretary options								
19 April 2008	**30 Sep 2009**	**$0.30**	**750,000**	**-**	**(750,000)**	**-**	**-**	**-**
Employee/Consultants options								
19 April 2008	**30 Sep 2009**	**$0.30**	**1,150,000**	**-**	**(1,350,000)**	**(50,000)-**	**-**	**-**
31 Aug 2009	**30 Sep 2009**	**$0.30**	**-**	**50,000**	**(50,000)**		**-**	**-**
Weighted average exercise price			**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$0.30**	**$0.30**

21. Share-Based Payments (Continued)

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)	Exercised during the financial period	Expired during the financial period	Balance at end of the financial period (Number)	Vested and exercisable at end of financial period (Number)
Director options								
19 April 2008	30 Sep 2009	$0.25	2,000,000	-	(1,712,000)	(288,000)	-	-
19 April 2008	30 Sep 2009	$0.30	2,500,000	-	-	-	2,500,000	2,500,000
Company Secretary options								
19 April 2008	30 Sep 2009	$0.25	500,000		(500,000)	-	-	-
19 April 2008	30 Sep 2009	$0.30	500,000	-	-	-	500,000	500,000
Employee/Consultants options								
30 May 2003	29 May 2009	$0.45	975,000	-	-	(975,000)	-	-
19 April 2008	30 Sep 2009	$0.25	850,000	-	(750,000)	(100,000)	-	-
19 April 2008	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

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 31 August 2009 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 ($0.35) and expected price volatility (57%) of the underlying share, the expected dividend yield (nil) and the risk-free interest rate (5.25%) 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	
	2009 $	2008 $	**2009 $**	2008 $
Director benefits (share options)	**-**	109,663	**-**	109,663
Employee/Consultant benefits (share options)	**2,805**	87,813	**2,805**	87,813
	2,805	197,476	**2,805**	197,476

22. Subsequent Events

No other matter or circumstance has arisen since 31 December 2009 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 2009.

23. Earnings per Share ("Eps")

	Consolidated		Parent entity	
	2009 $	2008 $	**2009 $**	2008 $
(a) Basic loss per share				
Loss attributable to the ordinary equity holders of the Company	**0.01**	(0.00)	**0.01**	(0.00)
	2009 $	2009 $	**2009 $**	2009 $
(b) Earnings used in calculating earnings per share				
Loss attributable to the ordinary equity holders of the Company	**2,294,604**	(17,898)	**2,294,604**	(17,898)
	2009 Number	2008 Number	**2009 Number**	2008 Number
(c) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**245,783,587**	244,634,162	**245,783,587**	244,634,162

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 2010 amounts of approximately $1,161,500 (2009 $1,080,000) 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	
	2009 $	2008 $
Within one year	**1,161,500**	1,080,000
Later than one year but less than five years	**-**	-
Later than five years	**-**	-
	1,161,500	1,080,000

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.

(a) Credit risk:

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

(i) Investments:

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

(ii) Trade and other receivables:

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

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

Exposure to credit risk:

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

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

	Consolidated Carrying amount		Parent entity Carrying amount	
	2009 $	2008 $	**2009 $**	2008 $
Cash and cash equivalents	**4,831,721**	8,691,269	**4,828,980**	8,650,084
Trade and other receivables	**220,633**	756,389	**174,457**	749,453
Other financial assets	**5,928,000**	1,813,567	**5,928,000**	1,711,140
Total exposure	**10,980,354**	11,261,225	**10,931,437**	11,106,677

25. Financial Risk Management (Continued)

An impairment loss of $756,578 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 (2008: 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	
	2009	2008
	$	$
Balance at 1 January	**(8,282,089)**	(7,562,338)
Impairment loss/(write-back) recognised	**(756,577)**	(719,751)
Balance at 31 December	**(9,038,666)**	(8,282,089)

Whilst the loans were not payable as at 31 December 2009, 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	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Balance at 1 January	**1,710,000**	13,680,000	**1,710,000**	13,680,000
Sold during the year	**(4,476,000)**	-	**(4,476,000)**	-
Impairment loss/(write-back) recognised	**8,695,000**	(11,970,000)	**8,695,000**	(11,970,000)
Balance at 31 December	**5,920,000**	1,710,000	**5,920,000**	1,710,000

(b) Liquidity risk:

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

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

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

			Fixed Maturity Date			
	Weighted Average Effective Interest Rate %	Variable Interest $	Less than 1 year $	1 to 2 years $	Non-interest Bearing $	Total $
2009						
Financial assets						
Cash	**3.35**	**4,815,865**	**-**	**-**	**15,856**	**4,831,721**
Interest bearing deposits	**3.29**	**485,821**	**-**	**-**	**10,000**	**495,821**
Investments	**-**	**-**	**-**	**-**	**5,928,000**	**5,928,000**
Receivables	**-**	**-**	**-**	**-**	**220,633**	**220,633**
		5,301,686	**-**	**-**	**6,174,489**	**11,476,175**
Financial liabilities						
Accounts payable	**-**	**-**	**-**	**-**	**(637,667)**	**(637,667)**
		-	**-**	**-**	**(637,667)**	**(637,667)**

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

(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.

25. Financial Risk Management (Continued)

(ii) Price Risk

The Group and the Company are exposed to equity securities price risk. This arises from investments held by the Group and classified on the Statement of Financial Position as available for sale or at fair value through profit and loss.

The table below summarises the impact of increases/decreases of the securities prices on the Group's and the Company's profit for the year and on equity. The analysis is based on the assumption that the price of securities increased/decreased by 80% (2008 – 80%) with all the other variables held constant.

Consolidated and Parent	Profit or loss		Equity	
	Increase $	Decrease $	Increase $	Decrease $
31 December 2009 – 80% change	**2,400**	**(2,400)**	**4,742,400**	**(4,742,400)**
31 December 2008 – 80% change	2,314	(2,314)	10,950,360	(10,950,360)

(iii) Interest rate risk:

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

	Consolidated Carrying Amount		Parent Entity Carrying Amount	
	31 December 2009 $	31 December 2008 $	**31 December 2009 $**	31 December 2008 $
Fixed rate instruments				
Financial assets	**-**	-	**-**	-
Variable rate instruments				
Financial assets	**10,980,354**	11,261,225	**10,931,437**	11,110,677

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

There was no exposure to fixed rate instruments at balance date.

<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 2008.

Consolidated	Profit or loss		Equity	
	100 bp increase	100bp decrease	100 bp increase	100 bp decrease
31 December 2009				
Financial assets	**109,804**	**(109,804)**	**109,804**	**(109,804)**
31 December 2008				
Financial assets	112,613	(112,613)	112,613	(112,613)

Net Fair value

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

For other assets and other liabilities the net fair value approximates their carrying value as disclosed in the Statement of Financial Position.

26. Auditors remuneration

	Consolidated		Parent entity	
	2009 $	2008 $	**2009 $**	2008 $
Amount received or due and receivable by the auditor for:				
a) **Audit services**				
Audit and review of financial reports under the Corporations Act 2001	**39,100**	42,500	**39,100**	42,500
b) **Non Audit services**				
Income tax return preparation	**8,000**	8,000	**8,000**	8,000
Total remuneration of auditors	**47,100**	50,500	**47,100**	50,500

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

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

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 2009 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, 24th March 2010

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 statement of financial position as at 31 December 2009 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALKANE RESOURCES LTD

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 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the Corporations Regulations 2001; and

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the remuneration report included in the Directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Alkane Resources Ltd for the year ended 31 December 2009 complies with section 300A of the Corporations Act 2001.

Rothsay

Graham Swan
Partner

Dated 24 March 2010

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

Statement

Alkane Resources Limited ("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 Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✔	
Recommendation 1.2	✔	
Recommendation 1.3[3]	n/a	n/a
Recommendation 2.1	✔	
Recommendation 2.2	✔	
Recommendation 2.3	✔	
Recommendation 2.4		✔
Recommendation 2.5	✔	
Recommendation 2.6[3]	n/a	n/a
Recommendation 3.1	✔	
Recommendation 3.2	✔	
Recommendation 3.3[3]	n/a	n/a
Recommendation 4.1	✔	
Recommendation 4.2	✔	
Recommendation 4.3	✔	
Recommendation 4.4[3]	n/a	n/a
Recommendation 5.1	✔	
Recommendation 5.2[3]	n/a	n/a
Recommendation 6.1	✔	
Recommendation 6.2[3]	n/a	n/a
Recommendation 7.1	✔	
Recommendation 7.2	✔	
Recommendation 7.3	✔	
Recommendation 7.4[3]	n/a	n/a
Recommendation 8.1		✔
Recommendation 8.2	✔	
Recommendation 8.3[3]	n/a	n/a

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.alkane.com.au, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the Recommendations to which they relate, are set out below.

Charters	**Recommendation(s)**
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on Continuous Disclosure (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009 financial year (“Reporting Period”).

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

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

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company’s materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Managing Director is responsible for evaluating the senior executives.

The current size and structure of the Company allows the Managing Director to conduct informal evaluation regularly. While the Company does not currently have senior executives on staff, open and regular communication with non-executive senior personnel allow the Managing Director to ensure that key performance indicators are identified and met, and provide feedback and guidance particularly where performance or mismanagement issues are evident. Approximately annually individual performance may be more formally assessed in conjunction with a remuneration review. As the Company grows, a more formalised structure of performance evaluation may be warranted.

Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1.

Disclosure:

During the Reporting Period there were no performance evaluations (except for Company Secretaries), as the Company does not currently have any senior executives. However, the evaluation of both Company Secretaries took place in accordance with the disclosed process.

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The Board has a majority of directors who are independent.

The independent directors of the Board are John Dunlop, Anthony Lethlean, Ian Gandel and Ian Cornelius and the non independent director of the Board is D Ian Chalmers.

Recommendation 2.2:

The Chair should be an independent director.

Disclosure:

The independent Chair of the Board is John Dunlop.

Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Managing Director is D Ian Chalmers who is not Chair of the Board.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Notification of Departure:

The Company has not established a separate Nomination Committee.

Explanation for Departure:

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

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The Nomination Committee is responsible for evaluating the Managing Director.

Performance evaluation of the Board is carried out by means of ongoing review by the Chairman with reference to the composition of the Board and its suitability to carry out the Company's objectives. The Chairman may carry out the review by various means including, but not limited to:
- meeting with and interviewing each Board member;
- consultation with the Nomination Committee;
- circulation of internal tools of review such as formal questionnaires and reports;
- outsourcing to independent specialist consultants.

The Chair's review may include consideration of:

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

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

Recommendation 2.6:

Companies should provide the information indicated in the Guide to reporting on Principle 2.

Disclosure:

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

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

Identification of Independent Directors

The independent directors of the Company include John Dunlop, Anthony Lethlean and Ian Cornelius. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

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.

Ian Gandel is a "substantial shareholder" of the Company within the definition ascribed by the Corporations Act. Ian Gandel meets all of the other criteria of independence as set out in Box 2.1 of the commentary that supplements the Principles of Good Corporate Governance and Best Practice Recommendations as published by the ASX Corporate Governance Council ("Independence Criteria"). The Board considers that Ian Gandel's shareholding does not cause potential for real conflict between the interests of Ian Gandel and the majority of the other shareholders of the Company (and therefore affect Ian Gandel's ability to exercise unbiased judgement). To the contrary, the Board (in the absence of Ian Gandel) considers that he demonstrates and consistently makes decisions and takes actions that are in the best interests of the Company and its shareholders, and therefore considers him to be independent.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

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

- 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.

Statement concerning availability of Independent Professional Advice

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

Nomination Matters

The full Board, in its capacity as the Nomination Committee, held three meetings during the Reporting Period. All Board members attended the meetings, with the exception of Ian Cornelius who was only able to attend two of the three meetings. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

Performance Evaluation

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

Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. In accordance with the Company's Constitution, one third of the directors (excluding the Managing Director) are required to retire at each annual general meeting. Directors who retire in accordance with this rule are eligible for re-election. No director so elected may hold office for more than three years. Re-appointment of directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

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

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

Recommendation 3.3:

Companies should provide the information indicated in the Guide to reporting on Principle 3.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1:

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Disclosure:

The Audit Committee comprises three directors, Anthony Lethlean (committee chair), John Dunlop and Ian Gandel. All of whom are independent.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

Companies should provide the information indicated in the Guide to reporting on Principle 4.

Disclosure:

The Audit Committee held two 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
Anthony Lethlean	2
John Dunlop	2
Ian Gandel	2

Details of each of the director's qualifications are set out in the Directors' Report.

While none of the Audit Committee members have financial qualifications, 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.

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

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

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

Recommendation 5.2:

Companies should provide the information indicated in the Guide to reporting on Principle 5.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

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

Recommendation 6.2:

Companies should provide the information indicated in the Guide to reporting on Principle 6.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the management team, led by the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. 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 fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems. Oversight of the Risk Management Policy and procedures is conducted by the Audit Committee who report to the Board as required.

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

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

In 2007/2008, the Board formalised and documented the management of its material business risks. This system includes a risk matrix which was prepared by third party consultants in consultation with the Board and Management to identify the Company's material business risks and risk management strategies for those risks. In addition, the process of management of material business risks is allocated to members of senior management. Risk is a standing item at each scheduled board meeting and the risk register will be reviewed and updated, as required.

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).

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

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

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board 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 risk.

Recommendation 7.4:

Companies should provide the information indicated in the Guide to reporting on Principle 7.

Disclosure:

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Managing Director (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Notification of Departure:

The Company has not established a separate Remuneration Committee.

Explanation for Departure:

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

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Recommendation 8.3:

Companies should provide the information indicated in the Guide to reporting on Principle 8.

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of 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, with the exception of Ian Cornelius who was only able to attend one of the two meetings. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

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

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

Share Holding at 24 March 2010 - ALK

(a) Distribution of Shareholders

Share holding	Number of Holders Fully paid ordinary shares
1 - 1,000	216
1,001 - 5,000	1,061
5,001 - 10,000	628
10,001 - 100,000	1,277
100,001 - over	202
	3,384

(b) Unmarketable Parcels
There are 359 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	70,911,964

Top Twenty Shareholders at 24 March 2010

Shareholder	Number of Shares	% Issued Capital
Abbotsleigh Pty Ltd	70,411,964	28.27
Merrill Lynch (Australia) Nominees Pty Ltd	15,747,390	6.32
ANZ Nominees Limited	12,432,498	4.99
National Nominees Limited	9,736,397	3.91
JP Morgan Nominees Australia Limited	7,576,306	3.04
Sydney Equities Pty Limited	4,798,000	1.93
Funding Securities Pty Ltd	3,825,000	1.54
Citicorp Nominees Pty Limited	3,582,483	1.44
HSBC Custody Nominees (Australia) Limited	3,420,255	1.37
Lampsac Pty Ltd	2,719,249	1.09
NEFCO Nominees Pty Ltd	2,325,000	0.93
Leefab Pty Ltd	1,853,384	0.74
Mr Ian Cornelius	1,715,050	0.69
Choice Investments (Dubbo) Pty Ltd	1,410,123	0.57
Spacebull Pty Limited	1,409,000	0.57
RM Dimond & Associates Pty Ltd	1,400,000	0.56
Sydney Equities Pty Limited	1,202,000	0.48
HSBC Custody Nominees (Austral) Limited-GSCO ECA	1,110,924	0.45
Bond Street Custodians Limited	1,059,417	0.43
Bell Potter Nominees Ltd	1,000,000	0.40
	148,734,440	59.72

Restricted Securities

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

On Market Buy-back

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

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	]
EL 7336	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 7383	Calula, NSW	100	]
EL 7456	Diamond Creek, NSW	100	] Alkane group 100%
ELA 3888	Diamond Creek, NSW	100	]
EL 5760	Moorilda, NSW	49	]
EL 6111	Moorilda, NSW	49	] Alkane group 49%
EL 6025	Orange-Molong, NSW	49	] Newmont Australia Ltd 51%, earning up to 75%
EL 6091	Orange-Molong, NSW	49	]
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	]
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	]