ANNUAL REPORT 2014

ALKANE
RESOURCES LTD
ABN 35 000 689 216

CONTENTS

Competent Persons

Unless otherwise advised, the information in this report that relates to exploration results, mineral resources and ore reserves 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 a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC, 2012). Ian Chalmers consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Tomingley Gold Project: The information in this report that relates to the Mineral Resources and Ore Reserves for the Tomingley Gold Project (annual update first released to ASX on 5 September 2014) was co-ordinated by Mr Terry Ransted (MAusIMM), Chief Geologist and full time employee of Alkane Resources Ltd who is a Competent Person as defined by JORC, 2012. The statement of Mineral Resources was compiled by Mr Ransted based on mineral resource block model estimates compiled by Mr Richard Lewis (FAusIMM) (Lewis Mineral Resource Consulting Pty Ltd), who is Competent Person as defined by JORC, 2012. The Ore Reserve statement included in the report was compiled by Mr Stephen Jones, (FAusIMM), Mining Manager and full time employee of Tomingley Gold Operations Pty Ltd, who is a Competent Person as defined by JORC, 2012. The Ore Reserve statement is based on the Mineral Resources compiled by Mr Ransted and the resource block models estimated by Mr Lewis. Each of Mr Ransted, Mr Lewis and Mr Jones consented to the inclusion in the report on matters based on information compiled by them in the form and context in which it appears.

Dubbo Zirconia Project: The information in this report that relates to Mineral Resources (first released in the 2004 Annual Report) and Ore Reserves (originally released to ASX on 16 November 2011 and updated on 11 April 2013 and 30 October 2013) for the Dubbo Zirconia Project was based upon information compiled by Mr Terry Ransted (MAusIMM), then a principal of Multi-Metal Consultants Pty Ltd, who was a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves (JORC, 2004) and is a Competent Person as defined in JORC, 2012 . Mr Ransted consented to the inclusion in the report on matters based on information compiled by him in the form and context in which it appears. This information was prepared and first disclosed under JORC, 2004. It has not been updated since to comply with JORC, 2012 on the basis that the information and underlying assumptions have not materially changed.

Disclaimer

This report contains certain forward looking statements and forecasts, including possible or assumed reserves and resources, production levels and rates, costs, prices, future performance or potential growth of Alkane Resources Ltd, industry growth or other trend projections. Such statements are not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors which are beyond the control of Alkane Resources Ltd. Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors. Nothing in this report should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities.

This document has been prepared in accordance with the requirements of Australian securities laws, which may differ from the requirements of United States and other country securities laws. Unless otherwise indicated, all ore reserve and mineral resource estimates included or incorporated by reference in this document have been, and will be, prepared in accordance with the JORC classification system of the Australasian Institute of Mining, and Metallurgy and Australian Institute of Geosciences.

ACN 000 689 216

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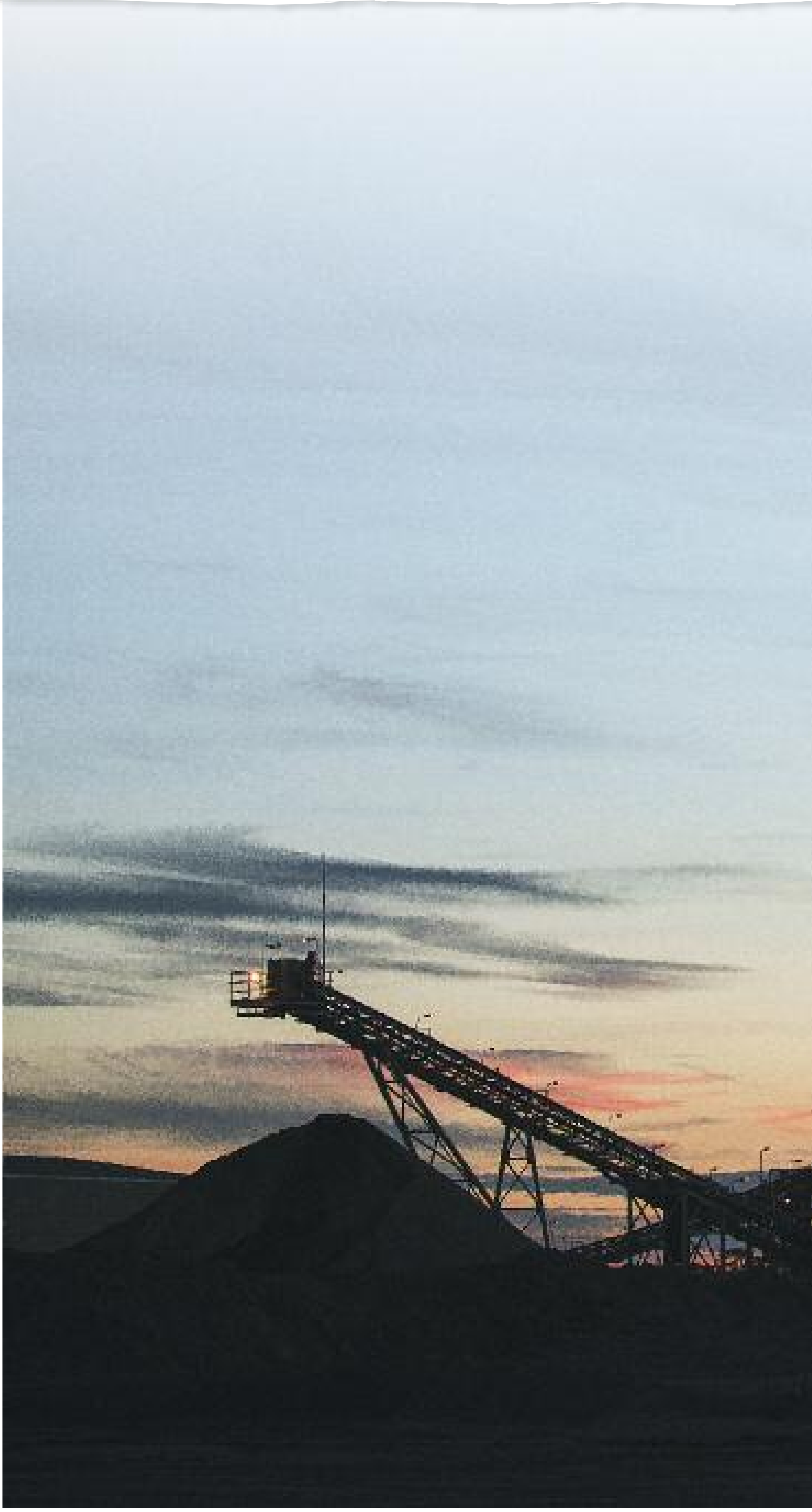
Alkane Resources is a multi-commodity mining and exploration company with a focus on gold, copper, zirconium, niobium and rare earths. The Company is committed to safe environmental practices and local community wellbeing on the journey to becoming a strategic producer of zirconium, niobium and heavy rare earths.



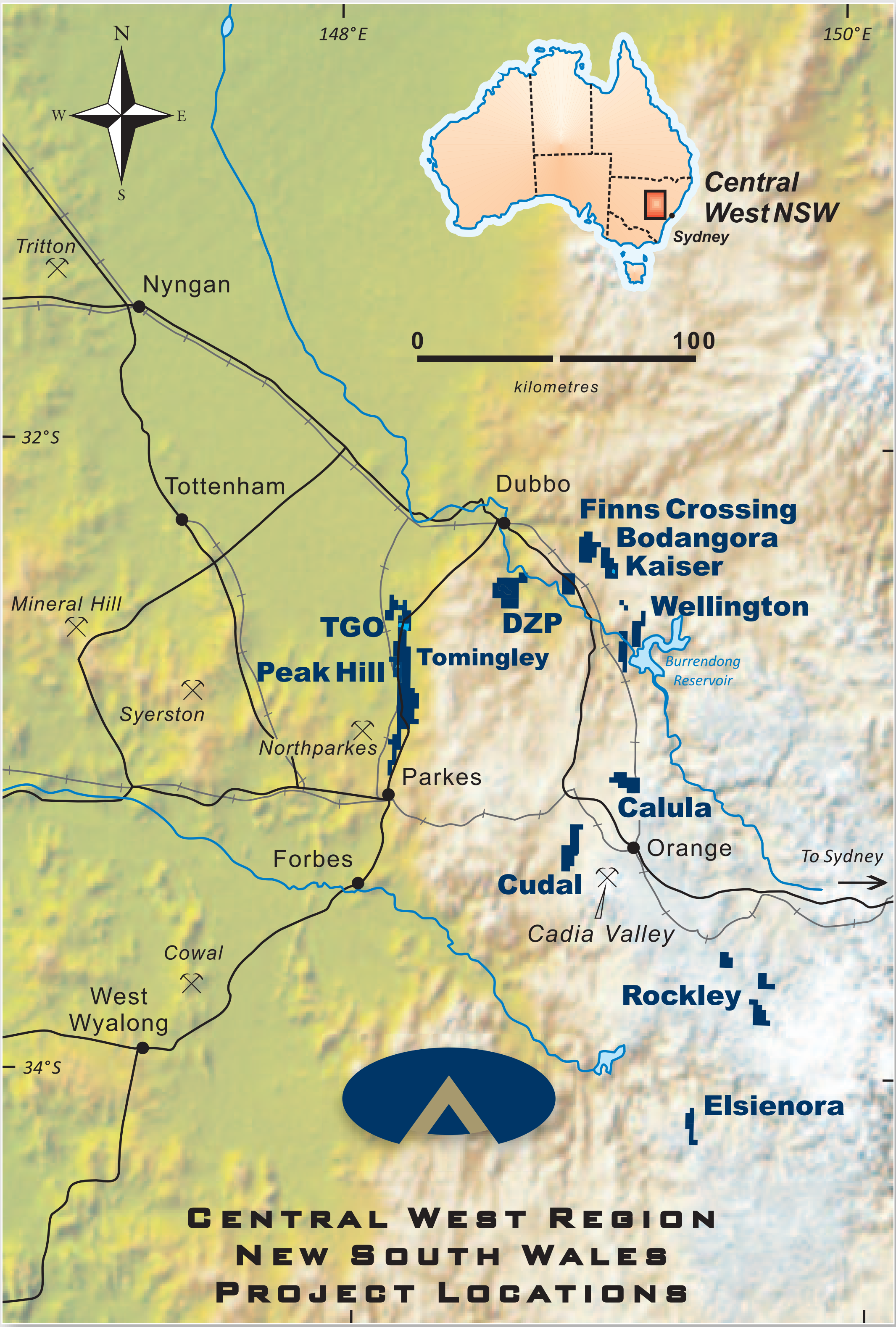
The Alkane Group's projects and operations are located in the Central West of New South Wales, in eastern Australia. Chief among them are the Tomingley Gold Operations, a medium-sized gold operation near Dubbo that commenced production in February 2014, and the Dubbo Zirconia Project, a major development scheduled to commence operations in 2016.

The Dubbo Zirconia Project, based on a very large in-ground resource of zirconium, niobium and rare earths, will position Alkane as a strategic and significant producer of zirconium products and heavy rare earths. Several other exploration projects in the region are also being evaluated.

Alkane is committed to safe environmental practices and biodiversity improvement at all its mining and exploration sites. The Company takes care to minimise the environmental impact of its activities, from pre-planning and commencement, through to adopting dedicated site rehabilitation programs upon completion.

The wellbeing of neighbouring local communities is also extremely important. The Company has been an active and contributing member of the Central West NSW community for over 25 years, supporting local education and training, employing local talent, engaging with community activities and preferring to purchase local products and services where practicable.

Alkane (ASX and OTCQX (US) listed) is an investment opportunity for investors seeking exposure to an Australian company with Australian projects of international significance.



Alkane's project locations in the Central West of New South Wales

MULTI-COMMODITY MINING

Alkane is currently producing gold at Tomingley Gold Operations and developing the Dubbo Zirconia Project, which will be a significant producer of zirconium products and heavy rare earths, along with making an important contribution to the niobium industry.

GOLD (Au)

Gold is a soft, unreactive metal with excellent electricity conduction and reflective properties. It is extremely ductile, malleable and corrosion resistant, and can be easily alloyed with other metals. Aside from its well-known application in jewellery and coinage, gold is widely used in the electronics industry for circuitry, contacts and electronic devices, as well as in the medical and glass industries.

ZIRCONIUM (Zr)

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

Zirconium materials are used for a wide variety of engineering, industrial and everyday applications, including the auto exhaust catalyst, electronics, engineering and refractory ceramic, nuclear, optical glass and alloys industries.

RARE EARTHS AND YTTRIUM

Rare earths, or rare earth elements (REEs), are a group of 17 metallic elements in the periodic table which have diverse chemical, electronic and magnetic properties. Of the 17 REEs, 15 are from the lanthanide group of elements; the remaining two (yttrium and scandium) share similar chemical properties to the lanthanide group.

The unique physical, chemical and light-emitting properties of REEs make them ideal for a range of technological and 'green energy' applications – including lightweight high-strength magnets for electric motors, petroleum catalysts, optical glass manufacturing and multi-level electronic components. They are critical materials to many emerging technologies.

Yttrium is a silvery-metallic element and is highly crystalline. Its major applications include automotive appliances, electronics and optical glass, phosphors for energy-efficient compact fluorescent globes, LCDs and LEDs, ceramics and as an alloying element in various steels and magnesium/aluminium alloys.

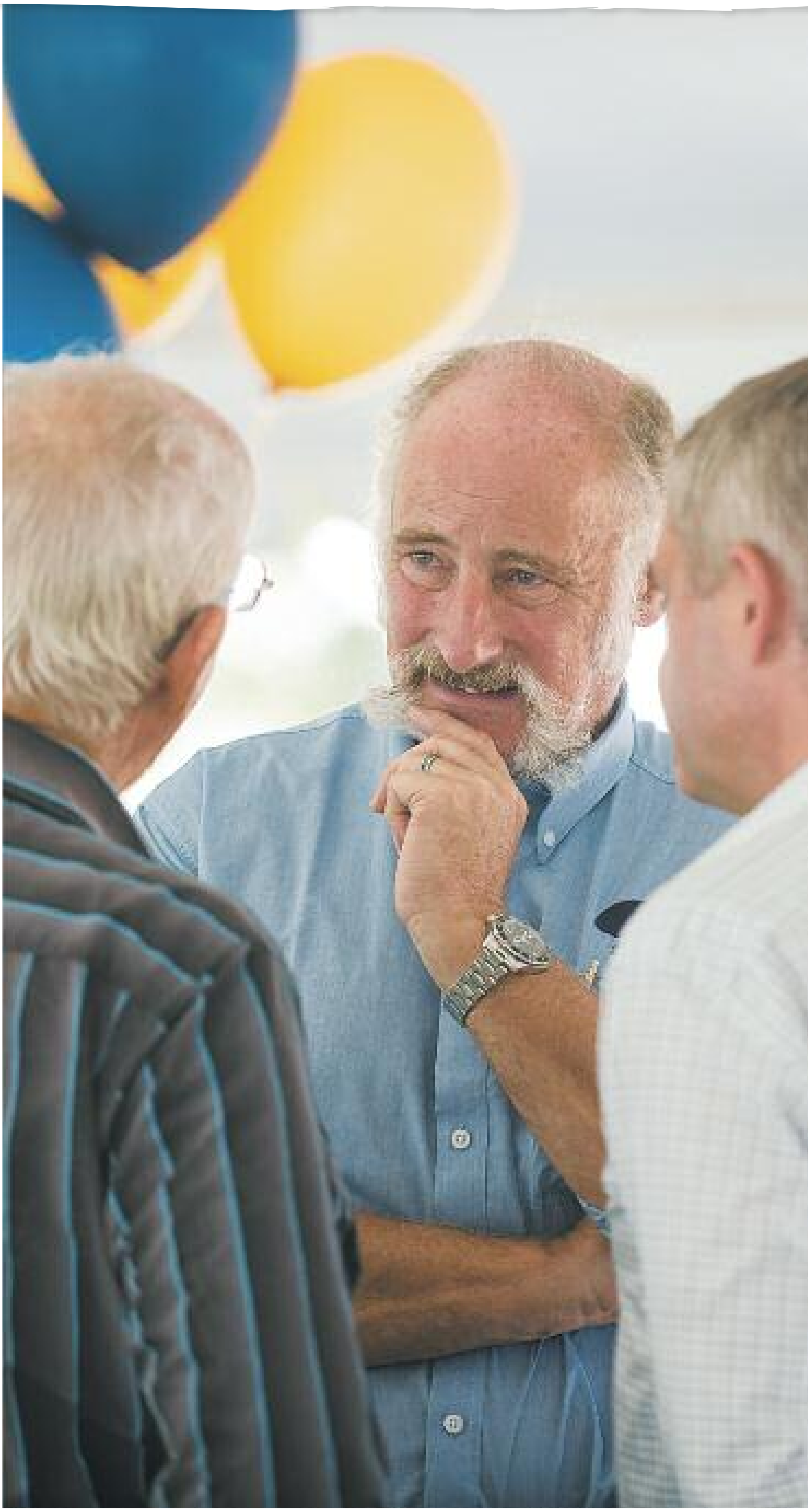
Rare earths are arbitrarily divided into heavy rare earth elements (HREEs) and light rare earth elements (LREEs), based on their location on the chemical periodic table. The HREEs are europium, gadolinium, terbium, dysprosium, holmium, erbium, thulium, ytterbium, lutetium and yttrium. The LREEs are lanthanum, cerium, praseodymium, neodymium, samarium and scandium.

NIOBIUM (Nb)

Niobium is a metal with superconductive properties that is used mostly in alloys and superalloys. It is usually sold as niobium pentoxide or ferro-niobium; niobium metal is produced in small quantities. Niobium is used widely as an alloying element for steel turbines and other engineering steels, magnets, glass and capacitors for electric motors and mobile electronics.




Alkane has met several key milestones this year with the commencement of production at Tomingley Gold Operations. We're also excited that the NSW Department of Planning and Environment (DP&E) has announced it is satisfied the benefits of the Dubbo Zirconia Project (DZP) would outweigh its impacts and has recommended the project be approved upon referring the application to the Planning Assessment Commission.



Welcome to the 2014 Annual Report for Alkane Resources, the first aligned to a full July – June financial year. It has been another busy and productive year, with several key milestones met, including the commencement of production at our Tomingley Gold Operations. We have also made significant progress on our development and exploration projects, laying the foundation for a promising 2014 – 2015.

TOMINGLEY GOLD OPERATIONS

Alkane's Tomingley Gold Operations (TGO), a 830,000 ounce gold resource near Dubbo in the Central West of New South Wales, commenced production in early 2014, with the first gold poured in February. The project was delivered on-time and within budget, and ramped up to achieve design capacity by the end of May 2014.

A total of 20,711 ounces of gold was poured in the financial year, with the FY2015 production estimated to be 60,000 – 70,000 ounces. Although it is still very early in the mine's life, ore reconciliations have been positive for both tonnes and grade, and we continue to monitor this and focus on further steadying and optimising the operation.

The Tomingley gold mine was officially opened on 21 March by the NSW Minister for Resources and Energy, Anthony Roberts MP. I'd like to thank personally all the local landowners, community leaders, members of the local community, construction teams and TGO employees for their support in achieving this milestone.

DUBBO ZIRCONIA PROJECT

There has also been significant progress on our major development project, the nearby Dubbo Zirconia Project (DZP), which remains an exciting investment asset. Assuming State approval before the end of 2014, we are on track for construction to commence in 2015. The DZP is expected to position Alkane as a strategic and significant world producer of zirconium products and heavy rare earths. There remains keen international interest from industry, and we are continuing to build relationships with the most strategic and profitable of these potential partners.

The DZP Environmental Impact Statement (EIS), which was lodged with the NSW Department of Planning and Environment on 28 June 2013, went on public exhibition and was responded to in the latter half of 2013. It is now proceeding to Planning Assessment Commission (PAC) review, and we are awaiting its progression through the system. In the meantime, the Front End Engineering Design (FEED), which will provide the core cost estimates and a detailed construction schedule, is underway and on target for completion in early 2015.

RESOURCE DEVELOPMENT AND EXPLORATION

Resource development has continued for both these projects, with the Caloma Two resource defined at Tomingley and further exploration of our DZP deposits – including a limestone deposit at nearby Geurie for supply as a neutralising agent for the processing plant.

Projects at Bodangora, Wellington, Cudal, Calula and Peak Hill remain at various stages of exploration and evaluation. This includes the newly acquired Kaiser Project, located with the greater Bodangora Project, and which is considered highly prospective for alkali porphyry gold-copper mineralisation. We have also acquired gold prospects at Elsienora and Rockley, and established potential gold-copper targets at Finns Crossing.

These projects will continue to add significant value to our mining portfolio, to enhance our geological and exploration knowledge in the Central West of NSW, and to create opportunities for new development projects in the coming years.

ACKNOWLEDGEMENTS

As always, I would like to thank my fellow directors, our consultants and exploration and operations teams, and our many shareholders for their ongoing efforts in support of Alkane Resources. I would particularly like to thank the Tomingley construction team for bringing in the project on time and budget, and within 12 months of approval of the Mining Lease.

John S F Dunlop

Chairman

After just over a year in construction, the Tomingley gold mine was officially opened on 21 March 2014 by the NSW Minister for Resources and Energy, Anthony Roberts MP.

The event was also attended by local landowners and community leaders, who we thank for their ongoing support, along with construction teams and employees of TGO.

TOMINGLEY GOLD OPERATIONS

The gold operations at Tomingley are based on a 830,000 ounce gold resource approximately 50 kilometres south-west of Dubbo in the Central West of NSW. Three deposits were initially defined – Wyoming One, Wyoming Three and Caloma – yielding a base case predicted lifespan of 7.5 years. An estimated 350,000 to 400,000 ounces will be recovered from the initial three deposits, averaging approximately 55,000 ounces per annum.

The recently defined Caloma Two resource is now being incorporated into the open pit development schedule, combined with a review of the potential for underground operations on all resources. This is anticipated to extend the lifespan of the mine to 10 years.

During FY2014, the Tomingley Gold Project transitioned from a development project into a fully operational mining and processing plant operated by Tomingley Gold Operations Pty Ltd (TGO), a wholly owned subsidiary of Alkane. Following construction during 2013, the mine, the crushing and grinding circuit and standard carbon-in-leach (CIL) gold processing plant were commissioned on time and within budget in January 2014.

Key milestones included:

Commissioned on time and within budget: first ore feed to the mill on 16 January 2014
First gold poured on 14 February 2014
The Newell Highway underpass opened for ore haulage from Caloma to the CIL processing plant on 19 March 2014
Operations officially opened by the NSW Minister for Resources and Energy on 21 March 2014
Mining and processing reached full design capacity in late May 2014

MINING AND PROCESSING

Preparation of the pits for mining commenced during the fourth quarter of 2013 and continued through the financial year period, with over 4 million bank cubic metres (BCM) of waste rock and soil removed by the end of June 2014.

The “dry-hire” mining contract was awarded to Emeco International Pty Ltd for a three year term. Expenditure under this contract includes the provision of the TGO mining fleet and associated maintenance facilities and personnel.

Mining commenced in the Wyoming Three pit during December 2013 and in the Caloma pit during the first quarter of 2014. Initially the effort was primarily focused on waste removal and pit setup; but ore mining has ramped up in both pits to achieve design capacity, with increasing effort in the longer-life Caloma pit.

Ore reconciliations have been positive in the pits for both tonnes and grade. For the combined pits year-to-date, the milled tonnes reconcile 12% greater and the milled grade reconciles 23% greater than the modelled ore reserves. As this is early in the pit life, particularly Caloma, this trend continues to be monitored.

Gold poured for the June quarter was near budget at 16,348 ounces, but the financial year total of 20,711 ounces was below target guidance of 22,000 – 27,000 ounces, due to early processing challenges experienced by the gold elution and cyanide detoxification circuits. These capacity issues have been addressed and the FY2015 production is estimated to be 60,000 – 70,000 ounces.

Mining and processing achieved design capacity in late May 2014 and are now operating at the 1Mtpa rate. Site efforts continue on steadying and optimising the operation. Areas of focus include ore blending, stabilisation of processing recoveries, mining fleet productivity and the site's supply chain and logistics.

TGO QUARTERLY PRODUCTION FIGURES

	UNITS	DEC QUARTER 2013	MAR QUARTER 2014	JUN QUARTER 2014	YEAR TO DATE FY 2014
Production					
Waste mined	BCM	696,788	1,906,377	2,032,519	4,635,684
Ore mined	Tonnes	-	165,404	380,146	545,550
Grade	g/t	-	1.30	1.47	1.42
Ore milled	Tonnes	-	120,270	238,826	359,096
Head grade	g/t	-	2.32	2.20	2.24
Recovery	%	-	89.8	92.3	91.4
Gold recovered	Ounces	-	4,363	16,348	20,711
Gold sold	Ounces	-	798	15,576	16,374
Gold revenue	A$M	-	1.2	22.1	23.3
AISC(1)	A$/oz	-	2,806	1,283	1,604
Stockpiles					
Ore for immediate milling	Tonnes	-	43,067	185,701	185,701
Bullion on hand	Ounces	-	3,565	4,386	4,386

(1) *AISC = All In Sustaining Cost comprises all site operating costs, royalties, mine exploration, sustaining capex and mine development and an allocation of corporate costs, presented on the basis of ounces produced*

Tomingley Gold Operations - site layout

Photo courtesy of Judy Unger

COSTS AND FINANCING

Initial unit operating costs have been high as expected, due to the high waste stripping early in the pit life, combined with initial build of gold in circuit (GIC) and the early reduced throughput of the processing plant. Moreover, the operation did not complete ramp up until the end of May, although costs for the June quarter were less than half those of the March quarter.

All In Sustaining Cost (AISC) for the June quarter was A$1,283 per ounce produced. (AISC comprises all site operating costs, royalties, mine exploration, sustaining capex and mine development and an allocation of corporate costs, presented on the basis of ounces produced.) It is expected that unit costs will reduce in the 2015 financial year with the processing plant operating at design capacity and associated operational start-up costs not recurring.

The TGO development was fully funded by Alkane without any borrowings or debt.

MINERAL RESOURCES AND ORE RESERVES

The revised TGO Mineral Reserves and Ore Reserves were reported to the ASX on 5 September 2014 and are summarised in the following tables.

ALKANE RESOURCES LTD – RESOURCE AND RESERVE STATEMENT 30 JUNE 2014

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		TOTAL GOLD
	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	(Koz)
Open Pittable Resources (cut off 0.50g/t Au)									
Wyoming One	2,171	1.7	442	1.5	735	1.1	3,348	1.6	166.8
Wyoming Three	473	1.8	25	1.5	98	1.1	597	1.6	31.5
Caloma	2,556	2.0	649	1.7	2,464	1.4	5,669	1.7	316.9
Caloma Two	-	-	1,085	2.4	704	1.3	1,789	2.0	112.4
Sub Total	5,200	1.9	2,201	2.0	4,001	1.3	11,402	1.7	627.5
Underground Resources (cut off 1.75g/t Au)									
Wyoming One	229	4.1	296	3.7	869	2.9	1,394	3.3	147.3
Wyoming Three	29	2.6	15	2.4	8	2.5	52	2.5	4.2
Caloma	3	2.1	13	2.3	224	2.5	240	2.4	18.9
Caloma Two	-	-	215	2.7	165	2.5	380	2.6	32.0
Sub Total	261	3.9	539	3.2	1,266	2.8	2,066	3.0	202.4
TOTAL	5,461	2.0	2,740	2.3	5,267	1.7	13,468	1.9	829.8

** apparent arithmetic inconsistencies are due to rounding*
Full details are given in the ASX release of 5 September 2014


Photo courtesy of Judy Unger

TOMINGLEY GOLD PROJECT ORE RESERVES (AS AT 30 JUNE 2014)

DEPOSIT	PROVED TONNAGE (Kt)	PROVED GRADE (g/t Au)	PROBABLE TONNAGE (Kt)	PROBABLE GRADE (g/t Au)	TOTAL TONNAGE (Kt)	TOTAL GRADE (g/t Au)	TOTAL GOLD (Koz)
Wyoming One	1,662	1.7	202	1.4	1,864	1.6	98.4
Wyoming Three	379	1.7	10	1.8	389	1.7	21.4
Caloma	1,744	2.2	184	1.7	1,928	2.2	136.0
Caloma Two	-	-	239	3.6	239	3.6	27.4
TOTAL	3,785	1.9	635	2.3	4,420	2.0	283.2
Stockpiles	186	1.9			186	1.9	11.5
TOTAL	3,971	1.9	635	2.3	4,606	2.0	294.7

** apparent arithmetic inconsistencies are due to rounding*
Full details are given in the ASX release of 5 September 2014

RESOURCES AND RESERVES COMPARISON 2013 TO 2014

DEPOSIT	TOTAL RESOURCES 2013 TONNAGE (Kt)	2013 GRADE (g/t Au)	2013 GOLD (koz)	TOTAL RESOURCES 2014 TONNAGE (Kt)	2014 GRADE (g/t Au)	2014 GOLD (koz)	TOTAL RESERVES 2013 TONNAGE (Kt)	2013 GRADE (g/t Au)	2013 GOLD (koz)	TOTAL RESERVES 2014 TONNAGE (Kt)	2014 GRADE (g/t Au)	2014 GOLD (koz)
Wyoming One	6,324	1.9	392.4	4,742	2.1	314.1	1,900	1.6	94.5	1,864	1.6	98.4
Wyoming Three	808	1.9	49.9	649	1.7	35.7	500	1.6	28.1	389	1.7	21.4
Caloma	5,453	2.1	369.4	5,909	1.8	335.7	1,200	2.2	86.5	1,928	2.2	136.0
Caloma Two	-	-	-	2,169	2.1	144.3	-	-	-	239	3.6	27.4
Stockpiles										186	1.9	11.5
TOTAL	12,586	2.0	811.7	13,468	1.9	829.8	3,600	1.8	209.1	4,606	2.0	294.7

** apparent arithmetic inconsistencies are due to rounding*
Full details are given in the ASX release of 5 September 2014

Photo courtesy of Judy Unger

The Dubbo Zirconia Project is a unique, long-life asset with a potential mine life of 70+ years. Unlike many rare earth resources, the DZP hosts an unusually high proportion of heavy rare earths, making it one of the few deposits of its kind outside of China.

DUBBO ZIRCONIA PROJECT

Alkane subsidiary, Australian Zirconia Limited (AZL), is developing the Dubbo Zirconia Project (DZP), a potential strategic supply of critical minerals for a range of 'high-tech' and sustainable technologies. It is based on a large resource of zirconium, hafnium, niobium, tantalum, yttrium and rare earths, located at Toongi, 30 kilometres south of the large regional centre of Dubbo in the Central West of NSW.

The DZP is a unique, long-life asset with a potential mine life of 70+ years. Unlike many rare earth resources, the DZP hosts an unusually high proportion of heavy rare earths, making it one of the few deposits of its kind outside of China. The size and significance of the DZP is such that the resource is expected to provide up to 4-5% of annual global heavy rare earth supplies, as well as significant quantities of niobium and zirconium, which can contribute about 50% of the revenues. The Toongi deposit hosting the mineralisation is a sub-volcanic trachyte horizontal intrusive body or lava flow approximately 900 metres by 600 metres, which was drilled out in 2000 – 2001. Three diamond core holes were recently completed to assist with the definition of the body for long term planning.

Process development work is largely completed, with the focus now on process optimisation and cost reduction. The project is currently awaiting approval of the Environmental Impact Statement (EIS), which is proceeding to Planning Assessment Commission (PAC) review, and completion of the Front End Engineering Design (FEED), with the aim to commence mine and plant construction in 2015.

DUBBO ZIRCONIA PROJECT – MINERAL RESOURCES

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

The full details of methodology were given in the 2004 Annual Report.

DUBBO ZIRCONIA PROJECT – ORE RESERVES

Toongi Deposit	Tonnage (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	REO (%)
Proved	8.07	1.91	0.04	0.46	0.03	0.14	0.75
Probable	27.86	1.93	0.04	0.46	0.03	0.14	0.74
Total	35.93	1.93	0.04	0.46	0.03	0.14	0.74

The full details of methodology were given in the ASX Announcement of 16 November 2011.

Note: ASX announcements 16 November 2011, 11 April 2013 and 30 October 2013 - the Company confirms that all material assumptions and technical parameters underpinning the estimated Mineral Resources and Ore Reserves, and production targets and the forecast financial information as disclosed continue to apply and have not materially changed.

PROCESS AND PRODUCT DEVELOPMENT

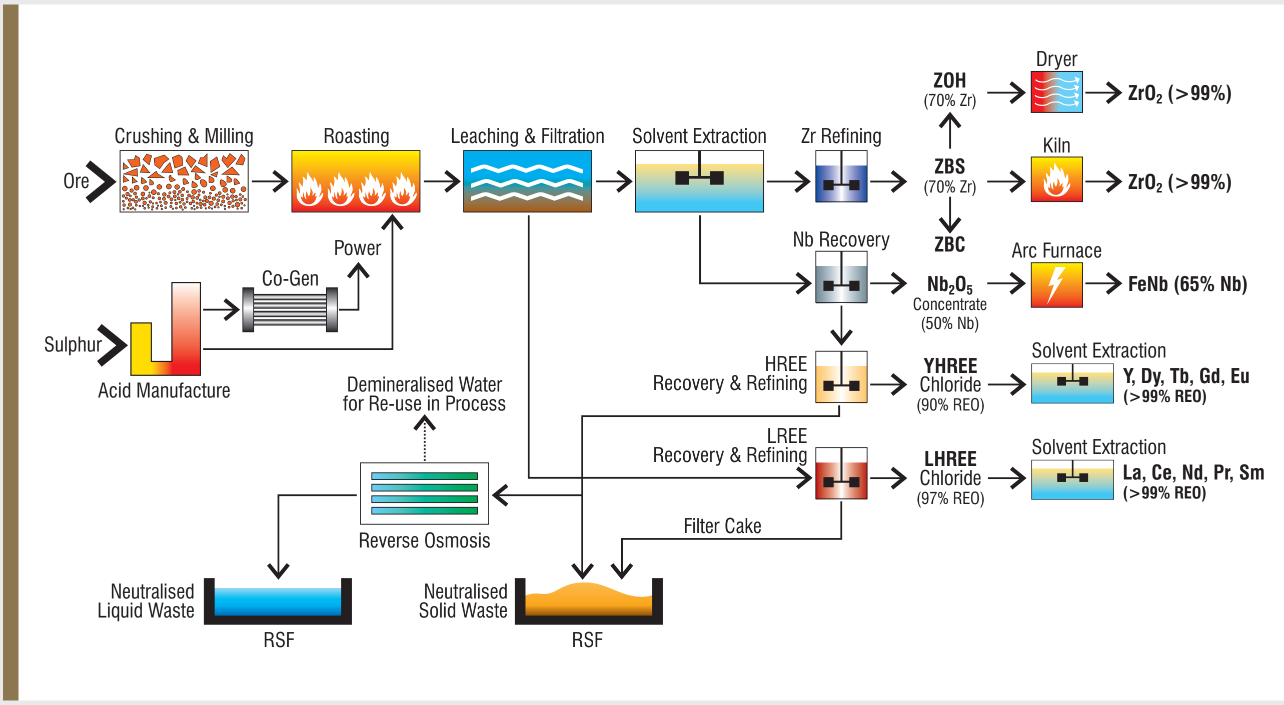
After extensive process development work from 1999 – 2003, Alkane has been working with the Australian Nuclear Science and Technology Organisation (ANSTO) since 2006 to optimise the flowsheet (see below) for production of high purity zirconium, niobium and rare earth products.

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

A demonstration pilot plant (DPP) has been operating at ANSTO Minerals' Lucas Heights facility in Sydney since 2008 and has provided proof of the project's technical viability. To date, the DPP has recovered several tonnes of products, demonstrating the capability of the project's flowsheet and providing material for market assessment. Operation of the DPP has also informed the feasibility studies for capital and operating cost estimates, and enabled a detailed analysis of the mass balance throughout the flowsheet and characterisation of the waste streams for safe and long term disposal.

During FY2014, process optimisation has continued on the DPP, with the view to improving operating efficiencies, reducing capital and operating costs, and producing a higher value output.

The zirconium program has focused on the production of high purity, variable grain size zirconia (ZrO_2) for specific applications, along with the development of a yttria (Y_2O_3) stabilised zirconia product. Work on the purification of the niobium concentrate to facilitate production of high quality ferro-niobium also commenced in partnership with global chemistry and metallurgy leader, Treibacher Industrie AG. Substantial progress has been achieved, with improved recoveries of all rare earth elements to the light rare earth chloride concentrate and heavy rare earth chloride concentrate. Other process improvement programs included modifications to the roaster to improve energy efficiency, recovery of metals in the leach circuit, and modifications to the primary solvent extraction circuit. Water recovery has also been a priority action and 70% of process water is currently recycled.



Dubbo Zirconia Project - diagrammatical flowsheet

ENVIRONMENTAL IMPACT STATEMENT

An Environmental Impact Statement (EIS) containing a series of detailed and specialist socio-environmental studies was completed in FY2013 under the management of principal consultants, R W Corkery & Co. These studies address a range of biophysical, social and economic issues that are critical to environmental management, maintenance and community wellbeing in the Dubbo and Toongi areas.

Key areas of study include:

- *Noise and vibration*
- *Air quality*
- *Radiation*
- *Surface water*
- *Groundwater*
- *Terrestrial ecology*
- *Aquatic ecology*
- *Aboriginal and non-Aboriginal heritage*
- *Visual amenity*
- *Traffic*
- *Soil and land capability*
- *Hazards*
- *Socio-economic climate*
- *Agricultural impact*

The EIS was submitted to the NSW Department of Planning and Infrastructure, now Department of Planning and Environment (DP&E), on 28 June 2013 and was on public exhibition from 18 September to 18 November 2013. Two community briefings were also held in this period: about 80 people attended the local area meeting at Toongi on 22 October and about 40 the Dubbo meeting on 23 October.

The Company received submissions from 13 Local, NSW and Commonwealth Government agencies or authorities, 48 public and 9 special interest groups. The main community concerns related to the increased traffic proposed for the Obley Road (main site access) and to the potential emissions from the project on the surrounding environment. In responding to these submissions, AZL has made further modifications to the project design, in particular numerous additional improvements to the Obley Road to minimise noise and maximise road safety.

The DP&E has advised the project will proceed to Planning Assessment Commission (PAC) review, but the timing for this has not yet been determined. In the meantime, the Company and its environmental advisors have resolved any outstanding matters to the satisfaction of the DP&E.

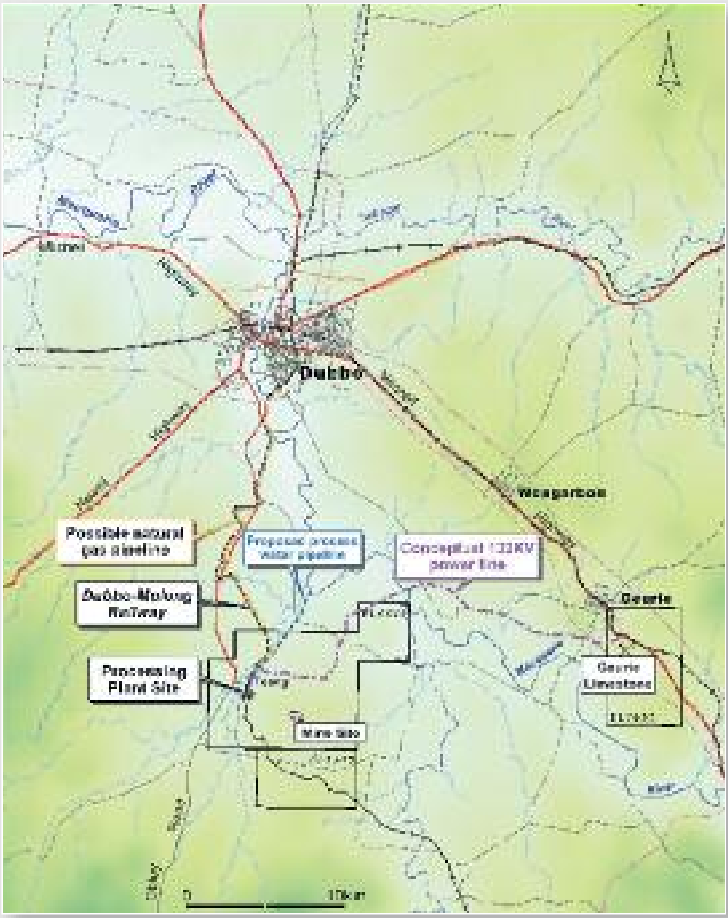
ENGINEERING AND INFRASTRUCTURE

AZL invited five major engineering companies to tender for the Front End Engineering Design (FEED) contract in the December quarter and ultimately awarded the contract to Hatch Pty Ltd (Hatch) in April 2014. Hatch is an internationally recognised company supplying engineering, project and construction management services as well as process and business consulting and operational services to the mining, metallurgical, energy and infrastructure industries.

The FEED for DZP will deliver capital and operating cost estimates to a target ±10% accuracy and a detailed schedule for the project. It will also enable the majority of the construction scope to be let as an Engineering, Procurement and Construction (EPC) lump sum contract (single or separate packages), with the remainder as Engineering, Procurement, Construction and Management (EPCM). Delivery of the FEED remains on schedule, with engineering and procurement activities to be completed for final reporting and estimates of the FEED to be prepared early in 2015.

Completion of the FEED will provide AZL with the core cost estimates for use in its bankable feasibility study, which will also include updated marketing and financial information and is an important step to securing the funding for the project through international Export Credit Agency (ECA) sources and project debt.

A major transport study has been completed to determine the optimum logistical infrastructure for supply of reagents to the project. This study included a detailed assessment of all reagent sources and costs, port handling and storage, and transport scheduling. The results concluded that the port of Newcastle and rail freight to Dubbo, with subsequent road transport to the site, minimises the overall impact for the residents at Dubbo and Toongi (project site) and presents the most cost effective solution. Reactivation of the rail from Dubbo to Toongi remains an option, but the logistics of rehabilitating and reusing the various road crossings is complex, with the potential to cause serious inconvenience to local and highway road traffic movements.



Dubbo Zirconia Project - location and infrastructure

MARKET UPDATE

AZL has continued its global marketing efforts throughout FY2014. The Company has presented at international conferences and congresses in Hong Kong, China, USA and Canada, utilising these opportunities to meet with prospective customers. Dedicated visits were also made to prospective customers in Japan, Korea, Europe and North America; this includes a major effort in Europe to develop options for zirconium, niobium and rare earth product agreements.

Zirconium

The zircon and downstream zirconium industry remained flat across FY2014, with zircon demand and price showing some signs of recovery late in the year. Stocks of zircon and downstream products remain readily available and demand limited. Reduced zircon output by major producers is expected to bring supply back into balance in 2015, while there are also signs of consolidation of the Chinese zirconium chemicals industry in response to overcapacity and unsustainably low prices.

Zirconia products on offer from the DZP have the flexibility of variable purity and grain size and can target most downstream markets. Importantly the DZP will be a secure, long-term supply option not linked to the zircon industry, thanks to the DZP's exceptionally long mine life.

An existing Memorandum of Understanding (MoU) with a European manufacturing and trading company has been extended to 31 December 2014, with a view to developing a joint venture for the marketing of zirconium products in Europe, North America and other markets.

Rare earths

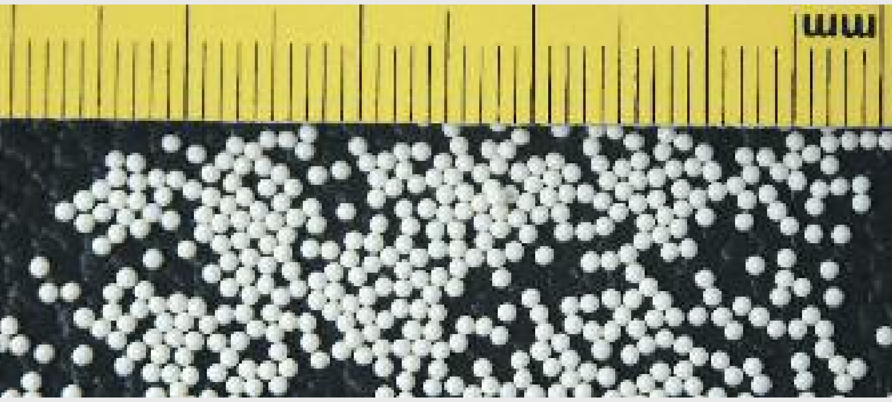
Rare earths prices also remained flat across FY2014, but have recently been showing some positive signs, particularly for the key elements used in magnetic materials such as neodymium and dysprosium. Strong praseodymium demand is being driven by the ceramic colours market. The apparent commitment of Chinese authorities to consolidate the industry and curtail illegal mining, processing, and export of heavy rare earths is expected to support prices for this group of products.

The MoU with Shin-Etsu Chemical Co. Ltd for toll treatment and off-take of separated rare earths has been extended to 31 December 2014 to enable finalisation of commercial terms and conversion to a binding agreement. With the production of a suite of high purity separated rare earths through this arrangement, discussions are advanced with other customers to acquire those rare earths not required by Shin-Etsu.

Niobium

The ferro-niobium (FeNb) market started to show signs of weakness early in FY2014, despite strong steel production output in China. Prices remained at or above US$40/kg per niobium unit throughout the year, and are expected to improve later in 2015.

Under an existing Joint Venture Framework Agreement with Treibacher Industrie AG (TIAG), TIAG completed a FeNb study and confirmed AZL's understanding that the small output proposed by the DZP would be readily absorbed by existing customers without an adverse market impact. This agreement will facilitate the production and marketing of FeNb using niobium concentrate from the DZP. The arrangement will see AZL and TIAG form a company to process DZP niobium concentrate in Australia using TIAG's proprietary technology, and is expected to produce over 3000 tonnes of FeNb per annum. At current prices, the agreement is expected to be worth US$90 million a year. AZL will be the sole producer of FeNb in Australia once production commences in 2016.

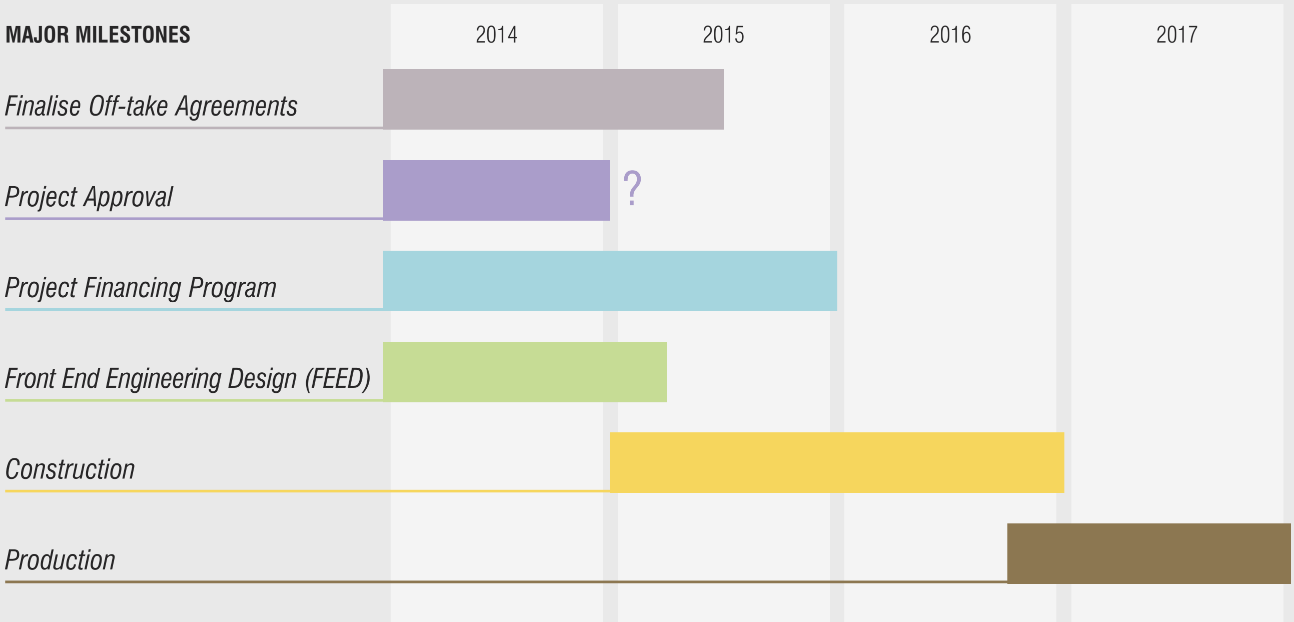


FINANCING

In October 2012, Alkane/AZL announced that the Company had engaged Credit Suisse (Australia) Limited, Sumitomo Mitsui Banking Corporation and Petra Capital Pty Limited to provide investment banking services, including the arrangement of project financing to fund the development of the DZP. Securing this $1 billion package has been progressing steadily throughout FY2014. Alkane's immediate focus remains on achieving a small strategic sale at project level and attracting the support of Export Credit Agency (ECA) funding.

PROJECT SCHEDULE

As of September 2014, the DZP is awaiting project approval with the NSW Government, while progressing the finalisation of off-take agreements and design of the Front End Engineering Design (FEED). Assuming project approval in 2014, the project is on schedule for construction to commence in 2015 and production to commence midway through 2016. The schedule for the key milestones is represented in the following chart.



RESOURCE DEVELOPMENT

Further exploration of resource potential was undertaken within both the Toongi deposit and the Railway prospect (located 3km north-west of the Toongi deposit) in the December quarter. Two diamond drill holes were completed within each deposit, potentially increasing the resource inventory for the project. The Railway trachyte, located about 3km northwest of the main deposit, is finer grained than the Toongi intrusive with a deeper weathering profile, and the grade averages approximately half that of the Toongi deposit. The diamond drill core results are summarised in the following table.

SUMMARY 2013 DIAMOND CORE DRILL RESULTS FOR DUBBO AT 31 DECEMBER 2013

Hole No	East	North	RL (m)	Azim	Incl	Intcpt (m)	Grade %ZrO_2	Grade %HfO_2	Grade %Nb_2O_5	Grade %Ta_2O_5	Grade %Y_2O_3	Grade %REO	Interval (m)	EOH (m)
TOD004	653067	6406840	381	0°	-	140.6*	1.76	0.04	0.39	0.02	0.11	0.76	1.4-142	151.0
TOD005	652535	6406932	393	0°	-	97.0	1.85	0.05	0.41	0.02	0.13	0.77	0.0-97.0	108.7
RWD001	650841	6411049	302	0°	-	50.0	0.87	0.04	0.24	0.01	0.08	0.34	1.0-51.0	66.2
RWD002	650752	6410991	305	0°	-	88.0	0.81	0.03	0.22	0.02	0.08	0.31	0.0-88.0	94.2

** Interval in TOD004 includes a 5.05m unmineralised trachyte dyke and two intervals of core loss included at zero grade.*

Progress was also made towards the definition of a local limestone resource to supply as a neutralising agent for the DZP process. Here, 41 RC drill holes totalling 1419 metres were completed at Drywell near Geurie, approximately 20km east of the project site.

Earlier reconnaissance reverse circulation (RC) and core drilling programs at the Glen Hollow Prospect (Bodangora Project) confirmed the existence of several key geological features associated with a porphyry copper-gold system.

WELLINGTON (Cu-Au)

The Wellington Project hosts Galwadgere, a small copper-gold deposit with volcanogenic massive sulphide-type characteristics. The Galwadgere deposit was drilled out in 2005 and an economic scoping study run to gauge the value of further developing the project. It was identified that additional resources are required to generate acceptable returns. In the December 2013 quarter, exploration commenced at the North Galwadgere prospect, with results indicating this northern zone of mineralisation contains generally higher levels of gold, zinc and other trace elements compared to the main Galwadgere deposit and may represent a second feeder centre to the Galwadgere VHMS system. Further drill testing is warranted and Alkane will continue to explore for more resources over the next few years.

BODANGORA (Cu-Au)

The Bodangora Project is located 15 kilometres north of Wellington, and about 25 kilometres north of Alkane's Wellington (Galwadgere) Project. The tenement includes part of the northern end of the Ordovician-aged Molong Volcanic Belt before being covered by younger sediments of the Great Australian Basin. Earlier reconnaissance reverse circulation (RC) and core drilling programs at the Glen Hollow Prospect confirmed the existence of several key geological features associated with a porphyry copper-gold system.

KAISER PROJECT

Alkane purchased the Kaiser Project from Ajax Joinery Pty Ltd and will acquire a 100% interest in the tenement for payment of $10,000 on transfer of the licence, and payment of $200,000 and a 2% net smelter return on saleable products, following expenditure of $500,000 on exploration within two years. If Alkane does not wish to proceed following this expenditure the licence reverts back to Ajax. The exploration licence (approximately 127ha) is fully enclosed by Alkane's existing tenure, and is considered highly prospective for alkali porphyry gold-copper mineralisation.

An initial 1,094 metre RC drilling program was completed at the Kaiser Project, after Alkane's technical review, in particular a preliminary structural interpretation based on high resolution ground magnetic data, highlighted several untested areas that looked promising. The drilling activity resulted in a reconstruction of the

original Kaiser porphyry system and the identification of three target areas – comprising Kaiser, the newly defined McGregor Prospect and Kaiser East – that are considered highly prospective for alkalic porphyry gold-copper mineralisation.

DRIELL CREEK PROSPECT

A small RC program of 3 holes for 553 metres tested the Driell Creek Prospect, where previous drilling had intersected altered volcanics, and alteration and minor mineralisation associated with monzonite intrusives. The results were moderately encouraging, with a pyrite + sericite + silica phyllic-alteration zone now defined over an area of 400 x 250m. This zone is open to the south and shows an increasing trend in copper and porphyry pathfinder element levels towards the south. Further target definition work, including expansion of the induced polarisation geophysical coverage, is warranted and will be scheduled for later in 2014.

CUDAL (Au-Zn)

Cudal is located 30km west of the Cadia Valley Operations of Newcrest Mining Ltd. A small RC drilling program of 4 holes for 1128m tested the Kurrajong Prospect to follow up earlier gold-zinc intersections, which is adjacent to a large aeromagnetic anomaly with altered monzonite intrusives. The drilling defined east verging thrusts disrupting a folded sequence of Upper Cargo Volcanics and Bowen Park Limestone. Whilst encouraging alteration trends are identified, the assay results are disappointing. Further work will be dependent upon a thorough reassessment of all existing drilling data.

ELSIENORA AND ROCKLEY (Au)

In the September 2013 quarter, Alkane acquired two projects, Elsienora and Rockley, located 75km south and 35km south-east of Blayney respectively. Both areas are considered prospective for McPhillamys style gold mineralisation. Exploration at Elsienora commenced in the June 2014 quarter with a systematic soil geochemical survey (572 samples) covering target areas north of the Elsienora Prospect.

FINNS CROSSING (Au-Cu)

The Finns Crossing Project is located immediately to the north-west of the Bodangora exploration licence and was granted during the June quarter. The tenement is considered a key acquisition in the northern Molong Belt and adds to the large ground holding the Company has in this region, which is emerging as highly prospective for alkalic porphyry gold-copper mineralisation.

CALULA (Au + base metals)

The Calula Project is located about 25km north of Orange and straddles the structural boundary between the Ordovician-aged Molong Volcanic Belt in the west and the Silurian Hill End Trough to the east. The Ordovician hosts the major porphyry style, gold-copper deposits such as Newcrest's Cadia-Ridgeway operations, while the Silurian volcanics host volcanogenic massive sulphide deposits (Lewis Ponds), structural gold deposits (Hill End) and the hybrid McPhillamys deposit.

LEINSTER REGION JOINT VENTURE (Ni-Au)

Alkane has a diluting 20% interest in this Western Australian nickel-gold exploration venture (Miranda and McDonough Prospects), with Xstrata Nickel Australasia holding the remaining share.

Alkane Resources strives to deliver outstanding environmental and social performance in all that we do.

The Company is keen to help regional communities flourish and become more resilient, and to provide a safe and rewarding working environment for employees. We are committed to safe environmental practices and to the delivery of biodiversity improvement at all our mining and exploration sites.

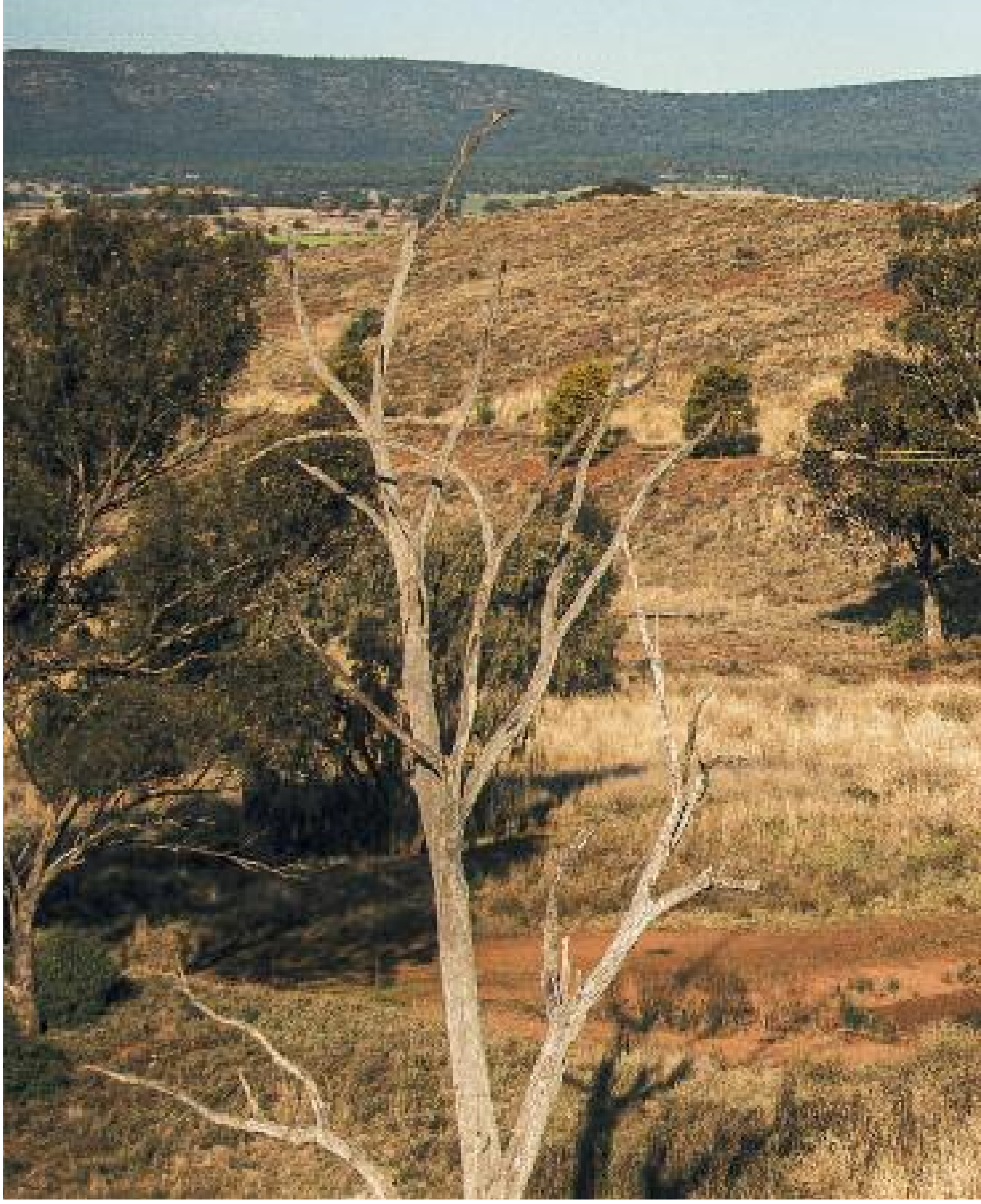
Our aim is to leave a positive legacy for local communities and the land alike that long outlasts the life of our activities in the region.

ENVIRONMENTAL MANAGEMENT

Alkane seeks to minimise its environmental footprint at all its mining and exploration sites – for the lifetime of those sites.

We work hard to protect the wide variety of species that live in our mining areas. Our aim is to leave our mining sites as stable functioning ecosystems despite the inevitable change in land form. This is achievable through careful design, creation of biodiversity offsets, progressive rehabilitation, monitoring and management actions.

The process commences when we start preparing land for a mining project – many years before any soil is turned – and includes the planting of new native habitats for animal species, especially those which are threatened and endangered, along with other measures to encourage biodiversity in the areas we are mining. After the mining process is over, mine infrastructure is removed and the final landform is rehabilitated to be left in a long-term stable condition. This may include replacement habitats to support new animal species.



At Tomingley Gold Operations (TGO), which began construction in the first quarter of 2013, Alkane harvested the seeds from native grey box (eucalyptus) trees and used them to directly seed 35 hectares of native woodland. Many of these trees, which needed to be removed to make way for the mine, were later used in a project by the NSW Department of Primary Industries to re-snag a section of the Macquarie River (refer to page 28). The Company is also playing an active role in the conservation of the Pink-tailed Worm-lizard, near Toongi. This species is listed as vulnerable under the Threatened Species Conservation Act 1995 and the Environmental Protection and Biodiversity Conservation Act 1999. Alkane has completed a program to provide artificial habitats to encourage their colonisation of areas away from proposed operations.

TGO also complies with world-leading practice for water recycling and tailings management, with all effluent treated to ensure the tailings are safe for the many water birds that visit the site's tailings pond.

The Company holds all the required approvals and licences for its mining and processing operations, including Environmental Protection Licences for the Peak Hill Gold Mine (1993) and TGO (2013). The Environmental Impact Statement for the Dubbo Zirconia Project is awaiting approval by the NSW Department of Planning and Environment.

Peak Hill Gold Mine

Alkane's Peak Hill Gold Mine, located 15km south of Tomingley Gold Operations, operated from 1996 to 2005. Around 153,000 ounces of gold were recovered from a heap leach operation, processing the oxidised ore, which was mined to a depth of 100 metres. A substantial sulphide gold deposit still exists below the oxide zone.

Since closure of the mine, the site has essentially been on care and maintenance, with considerable effort made to rehabilitate the landforms across the site. Today, the rehabilitated final landforms are becoming increasingly species-rich, with several bird and mammal species (absent prior to mining) established as a result of Alkane's rehabilitation (re-greening) of the mining leases and adjoining land.

MINE OPERATIONS PLAN

In July, Alkane submitted a draft Mine Operations Plan (MOP) 2014-2022 to NSW Trade and Investment – Mineral Resources and Energy. The purpose of this MOP is to outline and schedule the remaining actions required to make the site ready for the Peak Hill Gold Mine leases to be either renewed or relinquished.

Alkane has continued to maintain mining leases, an Environmental Protection Licence and a 1993 development approval from Parkes Shire Council, along with 22 approvals and licences for the mining and processing operations. In addition, a Pollution Incident Response Management Plan (PIRMP) was prepared for the Peak Hill Gold Mine in 2013, as required by changes to the NSW Environment Protection Agency's (EPA) Protections of the Environment Operations (POEO) Act.

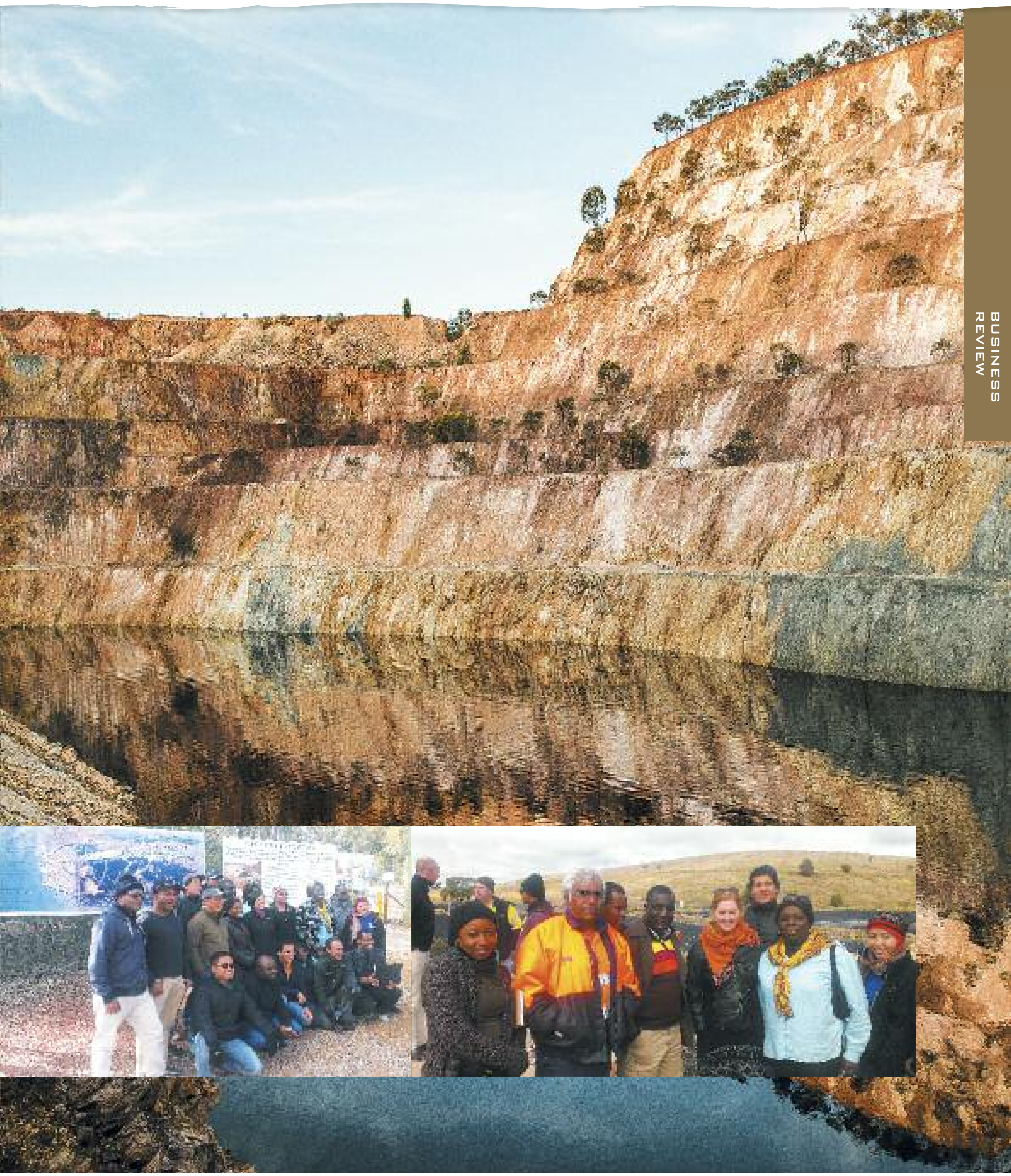
To help measure the success of the site's rehabilitation heading towards 2022, a Landscape Function Analysis (LFA) study has been commissioned to quantify landscape stability and ecosystem function. In August 2013, baseline measurements were taken at 15 permanent monitoring transects across the Peak Hill Gold Mine site and subsequent measurements made seasonally during the period of this report. The next LFA measurements are expected to be made in approximately two years, with subsequent measurements taken progressively every few years until 2022.

The annual Environmental Management Report Meeting was held on site at Peak Hill on 19 July 2013, with representatives from NSW Trade and Investment and NSW EPA in attendance. The mining leases are considered substantially rehabilitated, and the main agenda item was inspection of the proposed site for a new Peak Hill solid waste depot, which is to be gifted by Alkane to Parkes Shire Council. The next meeting will be in October 2014 to discuss the MOP.

OPEN CUT EXPERIENCE

The Peak Hill mine site hosts a tourist attraction that provides the public with insights into the history and practice of mining from 1889-1917 and the period 1996-2005. Called the Open Cut Experience (OCE), the facility contains the five mining voids in a pleasant bushland setting, and has been overseen by Parkes Shire Council since 2007. This tourism asset continues to generate economic activity in the local area, and the October 2013 long weekend saw the OCE used to host the Peak Hill Gravity Gold Rush – a street luge event.

During the past 12 months, Alkane has been in discussions with the Peak Hill Aboriginal Community Working Party regarding further development of the tourist potential of the OCE. The Peak Hill Gold Mine is one of only a few modern gold mines with an active mining lease open to the public, making the OCE a unique experience where visitors can learn about modern mining and land rehabilitation. To further this opportunity, Alkane has been supplying in-kind support on projects with both the Peak Hill Aboriginal Community Working Group and the Peak Hill Business and Tourism Association.



Spawning new fish habitats

Alkane is always looking for ways to give back to the environment and communities in which it operates. On learning of a local river rehabilitation project requiring a large number of trees, the Company immediately saw an opportunity to get involved, while at the same time find another home for the trees that needed be cleared from the mine site.

As a result, 120 grey box trees from Tomingley Gold Operations have been relocated into a section of the Macquarie River between Wellington and Dubbo. The partially submerged trees will help reinstate woody habitats (snags) that are an important component of a healthy river system as they form critical habitats and spawning sites for native fish, including the threatened bluenose cod (trout cod). This re-snagging project is expected to drive a natural increase in population as fish breed in the new habitat and become more resilient.

Alkane's involvement in the project commenced when construction got underway on the Tomingley gold mine in the first quarter of 2013. A stand of grey box trees was required to be cleared from the site of what is now the Wyoming One pit, and it was exciting to find such a worthwhile means of recycling those trees. The trees were pushed over carefully with an excavator to preserve the root ball, which helps anchor the tree in the stream and provides an important habitat for fish. While the trees were on the ground, the opportunity was taken to harvest the seeds of this native species for the Company's woodland re-seeding projects.

Over the past year, Alkane has worked with the NSW Department of Primary Industries (DPI), Dubbo Macquarie River Bushcare and Central West Local Land Services and private landholders to progressively transport the trees to the river for the re-snagging project. Alkane is proud to have played a role in the future wellbeing of our native fish, which will please both nature enthusiasts and local anglers alike.

COMMUNITY ENGAGEMENT AND SUPPORT

Alkane is an active and engaged member of the communities in which it operates. The Group's employees live locally and participate in local community activities. As a company, our goal is to support the development of more resilient regional communities through the establishment of permanent infrastructure, the provision of training and career opportunities to local residents, and general investment in local businesses. Alkane aims to leave a positive legacy that will long outlive the life of mining operations.

During the year, Alkane actively supported the following communities:

Narromine Shire (TGO). Alkane supported the Narromine Agricultural Show Society and Tomingley and Mungery Picnic Race Clubs in 2013-2014. The Company also established the TGO Community Fund, which aims to foster close relations between the TGO team and the local Narromine Shire community by providing support for local infrastructure and events. The recipients of the inaugural TGO Community Fund were notified in May 2014 and included the Tomingley Sport and Recreation Ground Trust for the construction of a new amenities building, the Ngarru Mayin Elders Aboriginal Corporation for repairs of the Historical Museum building in Narromine, St Augustine's Parish School Parents and Friends for the Biennial Art Show fundraising event, the Narromine Car Club for the annual car show and shine, and the Narromine Branch of the Country Women's Association of NSW for a schools public speaking contest.

Parkes Shire (Peak Hill Gold Mine). Alkane supported the PA&H Association (Peak Hill Show), Peak Hill FM (community radio station), St Joseph's Primary School (classroom resources) and Peak Hill Central School (Aboriginal Dance Group to attend school spectacular).

Dubbo local government area (DZP). Alkane supported the TAFE NSW Deadly Skills Day (indigenous job opportunities). The Company hosted the Central West Mining and Extractive Environment Team (MEET) conference in Dubbo and provided a bus tour of Alkane projects.

In order to ensure strong relationships are maintained with local communities, Alkane is also committed to clear and regular communications about its operations and development activities. The Company ensures community members can easily engage with Alkane representatives from the inception of projects through to completion. Initiatives in 2013-2014 include:

> *Employment of a dedicated Environment and Community Manager at TGO.*
>
> *Facilitation of community meetings at Toongi and Dubbo around the public exhibition of Environmental Impact Statement for the Dubbo Zirconia Project.*
>
> *Maintenance of detailed community-relevant project information on our website, along with the production of regular community newsletters.*
>
> *Continued participation in the Tomingley Gold Mine Community Consultative Committee (CCC), which comprises an independent chair, three representatives of TGO, five members of the local community, one Aboriginal representative and a Narromine Shire Council representative.*

Alkane personnel are engaged with the Industry Based Agreement for Aboriginal Employment and Enterprise Development Steering Committee, the Central West Aboriginal Mining Steering Committee, and the Western NSW Mining and Resource Development Taskforce.

BUSINESS REVIEW

EMPLOYEES AND DIVERSITY

Alkane is committed to employing members of the local community where possible, with the majority of employees living in the local area as the Company does not support a ‘fly-in/fly-out’ scheme.

The Group has approximately 150 personnel on the payroll of which 18% are female. Achieving diversity in employment in such an historically male dominated industry is a challenge and is essential to maintaining a culture of equal opportunity.

During the year, Tomingley Gold Operations commenced production, which required the recruitment of its operations team and a corresponding increase in employees. Alkane employs 140-145 people at TGO, with 72% of them residing within the immediate local area (the Parkes, Narromine and Dubbo triangle). There have been 12 people employed from the townships of Tomingley and Peak Hill.

OCCUPATIONAL HEALTH AND SAFETY REVIEW

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

The Company’s reputation for integrity and responsible behaviour motivates Alkane’s employees and builds trust within the communities in which it operates.

RISK MANAGEMENT

Alkane is committed to actively managing risks to its operations and has a Risk Management Committee comprised of directors and management to assist the Managing Director to identify, assess, monitor and manage the Company’s risks. The Company’s Risk Management Co-ordinator is tasked with the responsibility of keeping the risk management policy, framework and registers updated, subject to formal approval of policy amendments by the Board. During the year a review of the policy and framework was conducted and external specialist consultants engaged to facilitate risk assessment workshops for Alkane directors and personnel.

A key undertaking was the review of risk at TGO, following the mine’s transition to operations in February 2014. The mine’s operational risk register was reviewed in the June quarter and priority key risk areas for the site identified. For the ongoing management of high level risk, TGO has committed to the ‘Bowtie’ risk management process, which includes the identification of key threats and the critical controls to manage those threats. The Bowtie Analysis of the top 15 priority key risk areas has commenced.

OCCUPATIONAL HEALTH AND SAFETY

Alkane’s personnel are distributed across several office locations and operations across the Central West of New South Wales, Sydney and Perth. The largest concentration of employees is at TGO, located south-west of Dubbo.

In 2014, TGO rolled out the operational management plan developed by the Operations Manager and team in 2013. A vital component of this involved the finalisation and implementation of a mine safety management plan, overseen by the dedicated Safety and Training Manager. The Company is now developing an audit and inspection regime to ensure the ongoing integrity of the TGO mine safety management and operations management systems. A suite of safety-related key performance indicators, with a particular focus on positive performance indicators, is also being developed as an additional tool to measure the performance of the mine safety management system.

OHS initiatives at TGO also include the development of a thorough employee safety induction program used to onboard all employees and contractors to ensure safe operations on and off site at all times. The onboarding process includes training material to ensure that competency outcomes for employees and contractors are in place.

As for Alkane's other sites, a full-time site supervisor maintains the Peak Hill Gold Mine leases and infrastructure during decommissioning. The facilities at the mine site also provide support for exploration activities at the nearby Tomingley Gold Project which encompasses the TGO. Alkane also maintains exploration offices in Dubbo and Orange to service the Group's other tenements in the Central West of NSW.

There were two injuries affecting productivity across Alkane's activities during 2014, both of which occurred at TGO, which has a total recordable injury frequency rate (TRIFR) of 0.67.

A Lost Time Injury (LTI) was incurred by an Alkane employee, who experienced a minor back injury while bending to mark the pit floor with survey paint.

A Restricted Work Injury was incurred by a mining contract employee, who injured his shoulder when a scraper rolled onto its side.

TGO reported two incidents to the EPA during the period of this report:

In November 2013, strong wind conditions during topsoil stripping and stockpiling activities caused dust to blow across the Newell Highway. After an investigation, an improved Site Specific Procedure and Trigger Action Response Plan for managing dust was developed and implemented across the site.

Heavy storm events occurring prior to the finalisation of various water management works caused sediment laden water to be discharged from the Caloma central drain in March and April and from Sediment Pond 2 in June. This water or sediment did not contain any contaminants. TGO has since completed construction of all surface water infrastructure and extensive erosion control works to the satisfaction of the EPA. A review of the Water Management Plan is currently underway and TGO continues to liaise with the EPA in closing out these matters.

OH&S RESULTS ACROSS ALKANE'S TENEMENTS (EXPLORATION AND MINING LEASES)

	2012			2013*			2014		
	MAN HRS	MINOR LTIS	MAN HRS INJURIES	LTIS MAN HRS	MINOR LTIS	MAN HRS INJURIES	LTIS MAN HRS	MINOR LTIS	INJURIES
Alkane	16,885	0	0	12,620	0	0	157,748	1	0
Contractors	9,852	0	1	53,544	0	0	206,743	1	0
Total	26,737	0	1	66,164	0	0	364,491	2	0

**Six months of data with change to financial year reporting.*

The contractor hours in 2013 reflect construction of the Tomingley gold mine under the supervision of Mintrex's Construction Safety Management Plan.

FINANCIAL REPORT

The financial statements were authorised for issue by the directors on 26 September 2014. The directors have the power to amend and reissue the financial statements.

Your directors present their report on the consolidated entity consisting of Alkane Resources Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2014. Throughout the report, the consolidated entity is referred to as the group.

DIRECTORS

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

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

INFORMATION ON DIRECTORS

John Stuart Ferguson Dunlop - Non-Executive Chairman

BE (Min), MEng SC (Min), PCertArb, FAusIMM (CP), FIMM, MAIME, MCIMM

Appointed director and chairman 3 July 2006

Mr Dunlop is a consultant mining engineer with over 45 years surface and underground mining experience both in Australia and overseas. He is a former director of the Australasian Institute of Mining and Metallurgy (2001 - 2006) and is current chairman of MICA (Mineral Industry Consultants Association).

Mr Dunlop is non-executive chairman of Alliance Resources Limited (appointed 30 November 1994). Recently, he has also been a non-executive director of Copper Strike Limited (9 November 2009 - 6 June 2014) and a director of Gippsland Limited (1 July 2005 - 12 July 2013). Mr Dunlop is also a certified arbitrator and mineral asset valuer and consults widely overseas.

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

David Ian (Ian) Chalmers - Managing Director

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

Appointed director 10 June 1986, appointed managing director 5 October 2006

Mr Chalmers is a geologist and graduate of the Western Australia Institute of Technology (Curtin University) and has a Master of Science degree from the University of Leicester in the United Kingdom. He has worked in the mining and exploration industry for over 40 years, during which time he has had experience in all facets of exploration and mining through feasibility and development to the production phase.

Mr Chalmers was technical director until his appointment as managing director in 2006, overseeing the group's minerals exploration efforts across Australia (New South Wales and Western Australia), Indonesia and New Zealand and the development and operations of the Peak Hill Gold Mine (NSW). Since taking on the role as chief executive he has steered the company through construction and development of the now fully operational Tomingley Gold Operations and to the threshold of development of the world class Dubbo Zirconia Project.

Mr Chalmers is a member of the Nomination Committee.

Ian Jeffrey Gandel - Non-Executive Director

LLB, BEc, FCPA, FAICD

Appointed director 24 July 2006

Mr Gandel is a successful Melbourne based 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 of a chain of serviced offices.

Through his private investment vehicles, Mr Gandel has been an investor in the mining industry since 1994. Mr Gandel is currently a substantial holder in a number of publicly listed Australian companies and, through his private investment vehicles, now holds and explores tenements in his own right in Victoria, Western Australia and New South Wales. Mr Gandel is also a non-executive director of Alliance Resources Ltd (appointed 15 October 2003), non-executive chairman of Gippsland Limited (appointed 24 June 2009) and non-executive chairman of Octagonal Resources Limited (appointed 10 November 2010).

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

INFORMATION ON DIRECTORS (continued)

Anthony Dean Lethlean - Non-Executive Director

BAppSc (Geology)

Appointed director 30 May 2002

Mr Lethlean is a geologist with over 10 years mining experience including 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 recently retired as a principal of Helmsec Global Capital Limited. He is currently a director of Corporate Finance with stockbroking firm, BBY Ltd. Mr Lethlean is a non-executive director of Alliance Resources Limited (appointed 15 October 2003).

Mr Lethlean is lead independent director, chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

JOINT COMPANY SECRETARIES

Karen E V Brown

BEc (hons)

Ms Brown is a director and company secretary of Mineral Administration Services Pty Ltd which provides company secretarial, corporate administration and accounting services to the group. She has considerable experience in corporate administration of listed companies over a period of some 27 years, primarily in the mineral exploration industry. She is currently company secretary of publicly listed Excelsior Gold Limited and General Mining Corporation Limited.

Lindsay Arthur Colless

CA, JP (NSW), FAICD

Mr Colless is a member of the Institute of Chartered Accountants in Australia with over 15 years experience in the profession and a further 36 years experience in commerce, mainly in the mineral and exploration industry in the capacities of financial controller, company secretary and director. Mr Colless is also a director of Mineral Administration Services Pty Ltd.

DIVIDENDS

No dividends have been paid by the group during the financial year ended 30 June 2014, nor have the directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

RESULT FOR THE YEAR

The group's net loss for the year after tax was $6,170,000 (6 months ended 30 June 2013: $66,418,000). The result includes a loss before income tax of $3,735,000 in relation to the Tomingley Gold Operation which included costs relating to the commencement and ramp up of operations.

TOMINGLEY GOLD OPERATIONS

The gold operations at Tomingley, approximately 50 kilometres south-west of Dubbo in the Central West of NSW, are based on the three defined deposits Wyoming One, Wyoming Three and Caloma. The recently defined Caloma Two resource is now being incorporated into the open pit development schedule, combined with a review of the potential for underground operations on all resources.

Preparation of the pits for mining commenced in October 2013 with initial stripping performed for the Wyoming Three and Caloma pits. Mining by the Tomingley operations team commenced late in January 2014 with the mining fleet contracted on a dry hire arrangement with Emeco International Pty Ltd. During the operational period, 4.6M bcms of waste and 0.3M bcms of ore were mined at an average stripping ratio of 14.6.

With the completion of commissioning of the processing plant at the end of January 2014, the construction phase was completed on budget and within a twelve month period from commencement. The plant achieved design capacity of 1 million tonnes per annum throughput at the end of May 2014 with production over the period at 20,711 ounces.

Reconciliation of gold recovery to resource estimates continues to be very positive for both tonnes and grade for both operating pits. For the combined pits for operations to the end of August 2014, milled tonnes reconcile 9% greater and milled grade reconciles 30% greater than the modelled resources respectively. Both pits are still mining within oxidised ore and this positive reconciliation may change in the fresh rock. Importantly the larger deposit of Caloma is recording a 24% positive reconciliation of ounces in the upper levels. As this is early in the mine life, this continues to be monitored.

All in sustaining costs were high for the period as expected due to the high waste stripping early in the pit life, combined with initial build of gold in circuit (GIC) and the early reduced throughput of the processing plant. Moreover, the operation did not complete ramp up until the end of May, although costs for the June quarter were less than half those of the March quarter. It is expected that unit costs will reduce in the 2015 financial year with the processing plant operating at design capacity and associated operational start-up costs not recurring.

REVIEW OF OPERATIONS (continued)

TOMINGLEY GOLD OPERATIONS (continued)

Production guidance for the year to 30 June 2015 is in the range of 60,000 to 70,000 ounces.

The table below summarises the key operational information for the operation.

PRODUCTION	UNIT	PERIOD TO 30 JUNE 2014
Ore mined	bcm's	316,686
Waste mined	bcm's	4,635,684
Stripping ratio	ratio	14.6
Ore mined	tonnes	545,550
Grade mined(2)	grams / tonne	1.42
Ore milled	tonnes	359,096
Head grade	grams / tonne	2.24
Gold recovery	%	91.4
Gold production	ounces	20,711
Average sales price realised	A$ / ounce	1,421
Sales revenues	A$	23,281,000
AISC(1)	A$ / ounce	1,604
Ore stockpiles	tonnes	185,701
Stockpile grade(2)	grams / tonne	1.37
Bullion on hand	ounces	4,386

(1) AISC = All in Sustaining Cost comprises, from the date of completion of plant commissioning on 31 January 2014, cash costs of production, royalties and other selling costs, mine exploration and sustaining capital expenditure and an allocation of corporate costs from other expenses.

(2) Based on the resource model. Both actual tonnes and grade mined are currently over-reconciling significantly compared to the resource model as mentioned previously.

DUBBO ZIRCONIA PROJECT

Alkane subsidiary, Australian Zirconia Limited (AZL), is developing the Dubbo Zirconia Project (DZP), a potential strategic supply of critical minerals for a range of ‘high-tech’ and sustainable technologies. It is based on a large resource of zirconium, hafnium, niobium, tantalum, yttrium and rare earths, located at Toongi, 30 kilometres south of the large regional centre of Dubbo in the Central West of NSW.

The DZP is a unique, long-life asset which, unlike many rare earth resources, hosts an unusually high proportion of heavy rare earths, making it one of the few deposits of its kind outside of China. The size and significance of the DZP is such that the resource is expected to provide up to 4-5% of annual global heavy rare earth supplies, as well as significant quantities of niobium and zirconium, which can contribute about 50% of the revenues. The Toongi deposit hosting the mineralisation is a sub-volcanic trachyte horizontal intrusive body or lava flow approximately 900 metres by 600 metres, which was drilled out in 2000 - 2001. Three diamond core holes were recently completed to assist with the definition of the body for long term planning.

Application for the DZP and the Environmental Impact Statement were lodged with the Department of Planning and Environment (DP&E) in June 2013. In accordance with NSW Planning Legislation relating to State Significant Development, the application will proceed to the Planning Assessment Commission (PAC) for review or determination.

The DP&E released the Secretary’s Environmental Assessment Report in early September 2014 which stated that “At this stage, the Department is satisfied that the benefits of the project would outweigh its impacts, and that it should be approved subject to strict conditions.”

Following the PAC review, it will then refer the development application for the project to the PAC for determination. Assuming normal time frames for the PAC process, the company expects that the project should achieve determination before the end of calendar year 2014.

The contract to perform front end engineering design (FEED) was awarded to Hatch Pty Ltd (Hatch) in April 2014. The FEED for the project will deliver capital and operating cost estimates to a target +/-10% accuracy with a detailed schedule for the project, building on the work of the definitive feasibility study (DFS) released to the market in April 2013.

The deliverables for FEED will include all engineering to enable an estimate to this accuracy to occur, including infrastructure, water treatment, acid plant, process plant and final product preparation. Purchasing packages, identification of long lead items, vendor evaluations and the completion of a preferred vendors list will also be delivered.

Completion of FEED will provide the company with the core cost estimate for use in its bankable feasibility study, which will also include marketing and financial information and is an important step to securing the funding for the project through Export Credit Agency sources and project debt.

REVIEW OF OPERATIONS (continued)

DUBBO ZIRCONIA PROJECT (continued)

It is anticipated that FEED will be formally completed in the March quarter 2015, however deliverables will be completed in stages over the duration of the project, steadily increasing the accuracy from DFS level and enabling the project to proceed to the construction phase on receipt of development approval and financing.

During the execution of FEED, work has continued at the demonstration pilot plant at ANSTO, providing ongoing product development and confirmation of design parameters for the FEED. A significant improvement in rare earth recoveries was announced to the market in November 2013 and indications are that further significant recovery improvements are likely.

Commercialisation of the memorandum of understanding with Shin-Etsu Chemical Co. Ltd to toll process rare earth concentrates to be produced by the DZP and offtake of certain separated rare earth oxides has progressed during the year. Efforts have been directed towards ensuring that product specifications can be met and in drafting terms to form the basis of the agreements. Discussions are advanced with other potential customers to acquire the rare earths not required by Shin-Etsu.

Zirconia products on offer from the DZP have the flexibility of variable purity and grain size and can target most downstream markets. Importantly the DZP will be a secure, long-term supply option not linked to the zircon industry, thanks to the DZP's exceptionally long mine life.

An existing MoU with a European manufacturing and trading company has been extended to 31 December 2014, with a view to developing a joint venture for the marketing of zirconium products in Europe, North America and other markets.

Under an existing Joint Venture Framework Agreement with Treibacher Industrie AG (TIAG), TIAG completed a ferro niobium (FeNb) study and confirmed AZL's understanding that the small output proposed by the DZP could be readily absorbed by existing customers without an adverse market impact. This agreement will facilitate the production and marketing of FeNb using niobium concentrate from the DZP. The arrangement will see AZL and TIAG form a company to process DZP niobium concentrate in Australia using TIAG's proprietary technology, and is expected to produce over 3,000 tonnes of FeNb per annum.

EXPLORATION

Exploration was focussed on testing the gold-copper potential of the Bodangora-Kaiser projects located west of Dubbo and encouraging drill intersections have been recorded. Drilling also tested the down dip continuity of the Galwadgere deposit near Wellington. New tenements prospective for McPhillamys style gold mineralisation were acquired at Elsienora and Rockley located south of Blayney.

CORPORATE

The group remains debt free having funded the construction of the TGO, DZP development activities, exploration and other activities through the sale of the Regis Resources Limited shares acquired as consideration for the sale of LFB Resources NL (the Orange District Exploration Joint Venture) and through equity raisings performed in March 2012.

An equity raising of 40,000,000 shares for net proceeds of $9.8M was completed in June 2014 to provide funding to continue to progress the DZP and enable the completion of FEED and progression of other high priority activities on this project.

At 30 June 2014 the company had 24,000 ounces of A$ gold contracts at an average price of $1,444 per ounce to provide a level of protection against short term gold price weakness.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The financial position and performance of the group was particularly affected by the following events and transactions during the reporting period:

- construction activities at the Tomingley Gold Operation completed in January 2014 with the completion of commissioning of the processing plant. Mining activities commenced in October 2013 with the removal of overburden in two of the operations pits. This has resulted in an increase in property, plant and equipment during the financial year. Refer to note 7(c) for further information. The operation has been in production from February 2014 resulting in sales revenues from the sale of gold and an increase in inventories on hand. Refer to notes 2 and 7(a) for further information.
- available-for-sale financial assets were disposed of during the period resulting in the receipt of net proceeds of $43,599,000 and a reduction in available-for-sale financial assets at the end of the financial year. Refer to note 6(c) for further information.
- Alkane Resources Ltd completed an equity raising in June 2014 resulting in the raising of net proceeds of $9,800,000 and a resulting increase in share capital. Refer to note 8(a) for further information.

For a detailed discussion about the group's performance please refer to our review of operations.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2014 that has significantly affected the group's operations, results or state of affairs, or may significantly affect:

(a) the group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The group intends to continue development activities in relation to the Dubbo Zirconia Project in line with details provided in the review of operations. With the Tomingley Gold Operation ramped up to design capacity during the financial year, efforts will be focussed on optimising mining and processing performance and extending the mine life for both open pit and underground operations. Exploration and evaluation activities will continue on existing tenements and opportunities to expand the group's tenement portfolio will be pursued with a view to ensuring there is a pipeline of development opportunities to be considered.

Refer to the review of operations for further detail on planned developments.

ENVIRONMENTAL REGULATION

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

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

MINING AND CONSTRUCTION ACTIVITIES

During the period, there were no material breaches of requirements relating to environmental restrictions on the group's mine sites at Peak Hill or Tomingley. Management is working with the NSW Department of Primary Industries and the Department of Planning and Environment to ensure compliance with all licence conditions. The group employs a full time environmental manager to oversee the group's environmental activities.

EXPLORATION ACTIVITIES

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

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2014, and the numbers of meetings attended by each director were:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES AUDIT		NOMINATION		REMUNERATION	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
J S F Dunlop	12	13	4	4	2	2	3	3
D I Chalmers	13	13	*	*	2	2	*	*
I J Gandel	12	13	4	4	2	2	3	3
A D Lethlean	13	13	4	4	2	2	3	3

* *Not a member of the relevant committee*

REMUNERATION REPORT

The directors are pleased to present Alkane Resources Ltd's remuneration report which sets out remuneration information for the company's non-executive directors, executive directors and other key management personnel.

The report contains the following sections:

(a) Key management personnel disclosed in this report
(b) Remuneration governance
(c) Use of remuneration consultants
(d) Executive remuneration policy and framework
(e) Non-executive director remuneration policy
(f) Voting and comments made at the company's 2013 Annual General Meeting
(g) Details of remuneration
(h) Service agreements
(i) Details of share-based compensation and bonuses
(j) Equity instruments held by key management personnel

(a) KEY MANAGEMENT PERSONNEL DISCLOSED IN THIS REPORT

Non-executive and executive directors

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

Other key management personnel

NAME	POSITION
K E Brown	Joint Company Secretary
L A Colless	Joint Company Secretary
M Ball	Chief Financial Officer
N Earner	Chief Operations Officer

There have been no changes to directors or key management personnel since the end of the reporting period.

(b) REMUNERATION GOVERNANCE

The company has established a remuneration committee to oversee the remuneration of senior executives and executive directors. The remuneration committee is a committee of the board and at the date of this report the members were non-executive directors J S F Dunlop, A D Lethlean and I J Gandel. The committee is primarily responsible for making recommendations to the board on:

- the over-arching executive remuneration framework;
- the operation of the incentive plans which apply to the executive team, including key performance indicators and performance hurdles; and
- the remuneration levels of executive directors, other key management personnel, and non-executive director fees.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the company and its' shareholders. In doing this, during the year the remuneration committee sought advice from PricewaterhouseCoopers (PwC) as an independent remuneration consultant (see section (c) below).

(c) USE OF REMUNERATION CONSULTANTS

In July 2013, the company's remuneration committee engaged PwC to review its existing remuneration policies and to provide recommendations on executive short-term and long-term incentive plan design. These recommendations covered the group's key management personnel. Under the terms of the engagement, PwC provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $34,000 for these services. PwC has confirmed that the above recommendations have been made free from undue influence by members of the group's key management personnel.

REMUNERATION REPORT (continued)

(c) USE OF REMUNERATION CONSULTANTS (continued)

The following arrangements were made to ensure that the remuneration recommendations were free from undue influence:

- PwC was engaged by, and reported directly to, the chair of the remuneration committee. The agreement for the provision of remuneration consulting services was executed by the chair of the remuneration committee under delegated authority on behalf of the board;
- the report containing the remuneration recommendations was provided by PwC directly to the chair of the remuneration committee; and
- PwC was permitted to speak to management throughout the engagement to understand company processes, practices and other business issues and obtain management perspectives.
- PwC was not permitted to provide any member of management with a copy of their draft or final report that contained the remuneration recommendations.

As a consequence, the board is satisfied that the recommendations were made free from undue influence from any members of the key management personnel.

In addition to providing remuneration recommendations, PwC also provided assistance with other aspects of the remuneration of the group's employees, and various audit and non-audit services. Details of these services are disclosed on page 79 of this report.

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

In determining executive remuneration, the board aims to ensure that remuneration practices:

- are competitive and reasonable, enabling the company to attract and retain key talent while building a diverse, sustainable and high achieving workforce;
- are aligned to the company's strategic and business objectives and the creation of shareholder value;
- promote a high performance culture recognising that leadership at all levels is a critical element in this regard;
- are transparent; and
- are acceptable to shareholders.

The executive remuneration framework has three components:

- total fixed remuneration (TFR),
- short-term incentives (STI), and
- long-term incentives (LTI).

(i) Executive remuneration mix

As highlighted in the 2013 Annual Report, the company established executive incentive programs during the year which place a greater portion of executive pay "at risk". The table below reflects the target remuneration mix for the year to 30 June 2014. The LTI program will be implemented in the financial year ended 30 June 2015 and therefore bears no weighting in the remuneration mix for the year ended 30 June 2014.

			AT RISK REMUNERATION	
EXECUTIVE	POSITION	FIXED REMUNERATION	STI EQUITY[(1)]	LTI OPPORTUNITY[(2)]
I Chalmers[(3)]	Managing Director	80%	20%	0%
N Earner	Chief Operations Officer	80%	20%	0%
M Ball	Chief Financial Officer	80%	20%	0%

(1) Subject to achievement of all performance targets and service conditions.

(2) LTI not in place for the financial year ended 30 June 2014.

(3) The granting of any rights or issue of any shares under incentive programs to the managing director requires shareholder approval. No grant of rights or issue of shares is proposed to the managing director under the STI for the year ended 30 June 2014.

REMUNERATION REPORT (continued)

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK (continued)

(i) Executive remuneration mix (continued)

The table below reflects the target remuneration mix for the year to 30 June 2015.

			AT RISK REMUNERATION	
EXECUTIVE	POSITION	FIXED REMUNERATION	STI EQUITY(1)	LTI OPPORTUNITY(2)
I Chalmers(3)	Managing Director	44%	11%	44%
N Earner	Chief Operations Officer	44%	11%	44%
M Ball	Chief Financial Officer	44%	11%	44%

(1) Subject to achievement of all performance targets and service condition.

(2) Subject to achievement of all performance targets, total shareholder return (TSR) target and service condition over the three year vesting period to 30 June 2017.

(3) Incentives relating to the managing director are subject to shareholder approval.

(ii) Total fixed remuneration

Total fixed remuneration (TFR) consists of base salary, benefits and superannuation. Benefits may include health insurance, car allowances and salary sacrifice arrangements. TFR levels are assessed against the median level of the resources sector through independent market data. Individual TFR is determined within an appropriate range around the market median by referencing the specific role and associated responsibilities, individual experience and performance.

A review is conducted of remuneration for all employees and executives on an annual basis, or as required. The remuneration committee is responsible for determining executive TFR.

(iii) Incentive arrangements

The company uses both short term and long term incentive programs to balance the short and long term aspects of business performance, reflect market practice, attract and retain key talent and to ensure a strong alignment between the incentive arrangements of executives and the creation and delivery of shareholder return.

Short-term incentives

All employees including executives have the opportunity to earn an annual short-term incentive (STI) if predefined targets are achieved.

The STI for the year ended 30 June 2014 will be settled in the form of ordinary shares in Alkane Resources Ltd. For subsequent years, the executive STI will be provided in the form of rights to ordinary shares in the company that will vest at the end of the year provided the predefined targets are met. On vesting, the rights automatically convert into one ordinary share each. The executives do not receive any dividends and are not entitled to vote in relation to the rights to shares during the vesting period. If an executive ceases to be employed by the group within this period (the service condition), the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

STI awards for the executive team in the 2014 financial year were based on the scorecard measures and weightings as disclosed below. Targets were approved by the remuneration committee at the beginning of the financial year through a rigorous process and align to the company's strategic and business objectives. Targets are reviewed and reset annually.

PERFORMANCE CATEGORY	PERFORMANCE METRICS	WEIGHTING
Financial & operational	Production and operating cost performance for the Tomingley Gold Operation	40%
Growth	Milestones relating to advancing the development of the Dubbo Zirconia Project and execution of the board approved exploration plan to develop existing resources and discover new resources	40%
Sustainability	Specific targets relating to the development of and compliance with safety and environmental management systems, and engagement with the local community	20%

The remuneration committee is responsible for determining the STI to be paid based on an assessment of whether the predefined targets are met. To assist in this assessment, the committee receives detailed reports on performance from management. The committee has the discretion to adjust short term incentives downwards in light of unexpected or unintended circumstances.

REMUNERATION REPORT (continued)

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK (continued)

(iii) Incentive arrangements (continued)

Short-term incentives (continued)

Despite a largely successful commissioning and ramp up of the Tomingley Gold Operation and significant progress being made in the development of the Dubbo Zirconia Project leading to certain STI targets being met, the majority of targets were not met. The managing director and key management personnel requested that the remuneration committee not consider them eligible for award of the portion of the STI that they would be eligible to receive. This position was taken due to the Tomingley Gold Operation falling short of its market production guidance for the period and due to the company's share price performance.

Long-term incentives

The company did not have any long term incentives in place for the year ended 30 June 2014. The information presented in this section refers to the details of the plan that will be implemented in the year ended 30 June 2015.

Long-term incentives will be provided via a combination of performance rights and share appreciation rights. The performance rights plan was approved by shareholders at the 2013 annual general meeting. The share appreciation rights plan will be submitted for approval by shareholders at the 2014 annual general meeting. Together they are referred to as the long term incentive plan (LTIP).

The LTIP is designed to focus executives on delivering long term shareholder returns. Eligibility to the plan is restricted to executives and nominated senior managers, being the employees who are most able to influence shareholder value. Under the plan, participants have an opportunity to earn up to 100% of their total fixed remuneration comprised of part performance rights and part share appreciation rights, provided that predefined targets are met over a three year period. Performance rights are the reward vehicle for targets that are milestone based whereas share appreciation rights are the reward vehicle for shareholder return targets as the number of shares to be issued upon vesting is impacted by the quantum of shareholder value created. The table below provides details on the LTIP targets set at the beginning of the 30 June 2015 financial year, their relative weighting and the reward vehicle used for each target. The LTIP vesting period ends after three years (i.e. 30 June 2017).

LTI REWARD VEHICLE	PERFORMANCE METRICS	WEIGHTING
Performance rights	Progress of Dubbo Zirconia Project development towards production	40%
	Extension of the Tomingley Gold Operation mine life and cost performance relative to industry peers	10%
Share appreciation rights	Absolute total shareholder return (TSR)	50%

The performance rights component of the LTI will be provided in the form of rights to ordinary shares in Alkane Resources Ltd that will vest at the end of the three year vesting period provided the predefined targets are met. On vesting, the rights automatically convert into one ordinary share each. Participants do not receive any dividends and are not entitled to vote in relation to the rights to shares during the vesting period. If a participant ceases to be employed by the group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

Under the share appreciation rights plan, participants are granted rights to acquire fully paid ordinary shares in the company. Rights will only vest if the predefined TSR performance condition is met. If a participant ceases to be employed by the group within this period, the rights will be forfeited, except in limited circumstances that are approved by the board on a case-by-case basis.

Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan.

An absolute TSR target, as opposed to a TSR target relative to an index or a peer group, has been used to reflect:

- the developmental stage of the company and the impact that the successful development of the Dubbo Zirconia Project is expected to have on the market value of the company; and
- the absence of a sufficient number of comparable companies to benchmark against.

Targets are reviewed annually and set for a forward three year period. Targets reflect factors such as the expectations of the company's business plans, the stage of development of the company's projects and the industry business cycle. The most appropriate target benchmark (i.e. the use of an absolute or a relative TSR target) will be reviewed each year prior to the granting of rights.

REMUNERATION REPORT (continued)

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK (continued)

(iii) Incentive arrangements (continued)

Long-term incentives (continued)

Vesting of the rights is subject to the company's TSR, including share price growth, dividends and capital returns, exceeding certain growth hurdles over a three-year period as set out in the table below.

TSR COMPOUND ANNUAL GROWTH RATE (CAGR)	% SHARE APPRECIATION RIGHTS VESTING
Less than 15% CAGR	Nil
15% CAGR	50% vesting
Above 15% CAGR up to 25% CAGR	Pro rata vesting from 50% - 100%
Above 25% CAGR	100%

The remuneration committee is responsible for determining the LTI to be paid based on an assessment of whether the predefined targets are met. To assist in this assessment, the committee receives detailed reports on performance from management. The committee has the discretion to adjust long term incentives downwards in light of unexpected or unintended circumstances.

On vesting, the remuneration committee will determine whether the rights will be settled by the issue or transfer of ordinary shares or by cash settlement.

(iv) Clawback policy for incentives

Under the terms and conditions of the company's incentive plan offer and the plan rules, the remuneration committee has discretion to determine forfeiture of unvested equity awards in certain circumstances (e.g. unlawful, fraudulent or dishonest behaviour or serious breach of obligations to the company). All incentive offers and final outcomes are subject to the full discretion of the remuneration committee.

(v) Share trading policy

The trading of shares issued to participants under any of the company's employee equity plans is subject to, and conditional upon, compliance with the company's employee share trading policy. Executives are prohibited from entering into any hedging arrangements over unvested rights under the company's employee incentive plans. The company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

(e) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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

Non-executive directors receive a board fee and fees for chairing or participating on board committees. Non-executive directors appointed do not receive retirement allowances. Fees provided to non-executive directors are inclusive of superannuation. The non-executive directors do not receive performance-based pay.

Fees are reviewed annually by the remuneration committee taking into account comparable roles and market data obtained from independent data providers. The current base fees were reviewed with effect from 1 January 2013. There has been no increase to non-executive director fees since 1 January 2013. The maximum annual aggregate directors' fee pool limit is $700,000 and was approved by shareholders at the annual general meeting on 16 May 2013.

Details of non-executive director fees in the year ended 30 June 2014 are as follows:

	FROM 1 JANUARY 2013 ($ PER ANNUM)
Base fees	
Chair	125,000
Other non-executive directors	75,000
Additional fees	
Audit committee - chair	7,500
Audit committee - member	5,000
Remuneration committee - chair	7,500
Remuneration committee - member	5,000

For services in addition to ordinary non-executive directors' services, non-executive directors may charge per diem consulting fees at the rate specified by the board from time to time for a maximum of 4 days per month over a 12 month rolling basis. Any fees in excess of this limit are to be approved by the board.

REMUNERATION REPORT (continued)

(f) VOTING AND COMMENTS MADE AT THE COMPANY'S 2013 ANNUAL GENERAL MEETING

The company received more than 90% of "yes" votes on its remuneration report for the last financial period ended 30 June 2013. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices. Alkane had noted in the 2013 remuneration report that a review of all remuneration arrangements was being performed.

(g) DETAILS OF REMUNERATION

The following tables show details of the remuneration received by the directors and the key management personnel of the group for the current and previous financial year.

	CASH SALARY AND FEES $	SUPERANNUATION $	SHARE BASED PAYMENTS $	TOTAL $
2014 (12 months)				
Non-executive directors				
J S F Dunlop	140,045	12,954	-	152,999
I J Gandel	85,000	-	-	85,000
A D Lethlean	87,500	-	-	87,500
Total non-executive directors	312,545	12,954	-	325,499
Executive directors				
D I Chalmers	360,000	33,300	-	393,300
Other key management personnel				
L A Colless & K E Brown *	338,147	-	-	338,147
N Earner	291,666	26,979	-	318,645
M Ball	275,176	23,125	-	298,301
Total key management personnel compensation	1,577,534	96,358	-	1,673,892

Mr Earner was appointed chief operating officer on 2 September 2013.

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

	CASH SALARY AND FEES $	SUPERANNUATION $	SHARE BASED PAYMENTS $	TOTAL $
2013 (6 months)				
Non-executive directors				
J S F Dunlop	63,073	5,677	-	68,750
I J Gandel	42,500	-	-	42,500
A D Lethlean	43,750	-	-	43,750
Sub-total non-executive directors	149,323	5,677	-	155,000
Executive directors				
D I Chalmers	180,000	16,200	41,500	237,700
Other key management personnel				
L A Colless & K E Brown *	163,544	-	-	163,544
M Ball	141,785	11,250	-	153,035
Total key management personnel compensation	634,652	33,127	41,500	709,279

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

REMUNERATION REPORT (continued)

(g) DETAILS OF REMUNERATION (continued)

The relative proportions of remuneration received that are linked to performance and those that are fixed are as follows:

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%
Executive directors of Alkane Resources Ltd						
I Chalmers	100	83	-	17	-	-
Other key management personnel						
N Earner	100	100	-	-	-	-
M Ball	100	100	-	-	-	-

The other key management personnel, joint company secretaries L A Colless and K E V Brown, are not employees of the company and therefore are not eligible to participate in incentive programs. Instead they receive a fixed fee for services rendered as set out previously.

(h) SERVICE AGREEMENTS

Remuneration and other terms of employment for the managing director and key management personnel are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the board's discretion. Other major provisions of the agreements relating to remuneration are set out below.

NAME AND POSITION	TERM OF AGREEMENT	TFR(1)	TERMINATION PAYMENT(2)
D I Chalmers - Managing Director	2 years commencing on 1 July 2013	$393,300	By mutual agreement
N Earner - Chief Operations Officer	On-going commencing 2 September 2013	$294,365	2 months
M Ball - Chief Financial Officer	On-going commencing 29 October 2012	$298,302	2 months
L A Colless and K E Brown - Joint Company Secretaries	On-going commencing 21 July 2006	$288,146	12 months maximum(3)

(1) Total fixed remuneration is inclusive of superannuation and is for the year ended 30 June 2014. TFR is reviewed annually by the remuneration committee.

(2) Specified termination payments are within the limits set by the Corporations Act 2001 and therefore do not require shareholder approval. In the event that the managing director was terminated and a termination benefit of longer than twelve months was agreed, shareholder approval would be required.

(3) Twelve months of fees are payable if terminated by the company, six months of fees are payable if terminated by Mineral Administration Services Pty Ltd.

(i) DETAILS OF SHARE BASED COMPENSATION AND BONUSES

Short term incentives

There were no bonuses awarded to or share rights that vested in relation to the managing director or any key management personnel in relation to the year ended 30 June 2014. While part of the STI would have vested with the meeting of certain performance targets, the managing director and key management personnel requested that the remuneration committee not consider them for award for the reasons mentioned previously.

At the time of this report there are no unvested rights to shares granted to the managing director, key management personnel or any other executives. There were no short term incentives granted during the year.

Long term incentives

There were no long term incentives granted during the year.

REMUNERATION REPORT (continued)

(j) EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

The table below sets out the number of shares held in the company during the financial year by key management personnel.

	NUMBER OF ORDINARY SHARES			
SHARE HOLDINGS	BALANCE AT THE START OF THE YEAR	PURCHASED / (SOLD) ON MARKET	SHARE BASED PAYMENTS	BALANCE AT END OF THE YEAR
2014 (12 months)				
Directors of Alkane Resources Ltd				
Ordinary shares				
J S F Dunlop	836,000	100,000	-	936,000
A D Lethlean	433,396	-	-	433,396
D I Chalmers	2,268,854	150,000	-	2,418,854
I J Gandel	91,557,875	-	-	91,557,875
Other key management personnel				
Ordinary shares				
K E Brown	339,157	-	-	339,157
L A Colless	576,846	(250,000)	-	326,846
L A Colless & K E Brown joint interest	373,335	-	-	373,335
2013 (6 months)				
Directors of Alkane Resources Ltd				
Ordinary shares				
J S F Dunlop	836,000	-	-	836,000
A D Lethlean	433,396	-	-	433,396
D I Chalmers	2,168,854	-	100,000	2,268,854
I J Gandel	91,557,875	-	-	91,557,875
Other key management personnel				
Ordinary shares				
K E Brown	339,157	-	-	339,157
L A Colless	576,846	-	-	576,846
L A Colless & K E Brown joint interest	373,335	-	-	373,335

(i) Options

There were no unissued ordinary shares of Alkane Resources Ltd under option at the date of this report. No options were granted to the directors or any of the key management personnel of the company since the end of the financial year.

There were no shares issued as a result of the exercise of options during the year.

INDEMNIFICATION AND INSURANCE OF OFFICERS

Alkane Resources Ltd has 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.

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

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

The group has not otherwise, during or since the financial year, indemnified nor agreed to indemnify an officer of the group or of any related body corporate, against a liability incurred as such by an officer.

During the year the company has paid premiums in respect of directors' and executive officers' insurance. The contracts contain prohibitions on disclosure of the amount of the premiums and the nature of the liabilities under the policies.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the group is important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 20.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the 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 APES 110 *Code of Ethics for Professional Accountants.*

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 47.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of directors.

D I Chalmers

Director

Perth

26 September 2014

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Alkane Resources Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

This declaration is in respect of Alkane Resources Limited and the entities it controlled during the period.

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
26 September 2014

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	YEAR ENDED 30 JUNE 2014 $'000	6 MONTHS ENDED 30 JUNE 2013 $'000
Continuing operations			
Revenue	2	**25,264**	1,370
Cost of sales	3	**(25,692)**	-
Gross (loss) / profit		**(428)**	1,370
Other net (expense) / income	4	**10,210**	2,638
Expenses			
Other expenses	3	**(6,921)**	(2,673)
Impairment charges	9	**(3,769)**	(98,526)
Finance charges		**(369)**	(37)
Total expenses		**(11,059)**	(101,236)
Loss before income tax		**(1,277)**	(97,228)
Income tax (expense) / benefit	5	**(4,893)**	30,810
Loss for the period after income tax		**(6,170)**	(66,418)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets, net of tax		**-**	3,676
Total comprehensive loss for the period		**(6,170)**	(62,742)
Total comprehensive loss for the period is attributable to:			
Owners of Alkane Resources Ltd		**(6,170)**	(62,742)
		(6,170)	(62,742)
Loss is attributable to:			
Owners of Alkane Resources Ltd		**(6,170)**	(66,418)
		(6,170)	(66,418)

		CENTS	CENTS
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share	21	**(1.7)**	(17.8)
Diluted earnings per share	21	**(1.7)**	(17.8)

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

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

	NOTES	30 JUNE 2014 $'000	(RESTATED) 30 JUNE 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	**15,569**	64,294
Receivables	6(b)	**4,906**	3,680
Inventories	7(a)	**15,391**	-
Available-for-sale financial assets	6(c)	**4,945**	41,083
Total current assets		**40,811**	109,057
Non-current assets			
Exploration and evaluation	7(b)	**53,406**	45,278
Property, plant and equipment	7(c)	**100,032**	23,122
Deferred tax assets	5(c)	**-**	1,431
Other financial assets	6(d)	**6,736**	3,671
Total non-current assets		**160,174**	73,502
Total assets		**200,985**	182,559
LIABILITIES			
Current liabilities			
Trade and other payables	6(e)	**13,755**	9,764
Provisions 7(d)		**971**	519
Total current liabilities		**14,726**	10,283
Non-current liabilities			
Deferred tax liabilities	5(c)	**5,510**	-
Provisions 7(d)		**6,529**	1,471
Total non-current liabilities		**12,039**	1,471
Total liabilities		**26,765**	11,754
Net assets		**174,220**	170,805
EQUITY			
Contributed equity	8(a)	**202,243**	192,658
Accumulated losses	8(b)	**(28,023)**	(21,853)
Total equity		**174,220**	170,805

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

FOR THE YEAR ENDED 30 JUNE 2014

	ATTRIBUTABLE TO OWNERS OF ALKANE RESOURCES LTD			
	CONTRIBUTED EQUITY $'000	OTHER RESERVES $'000	(RESTATED) RETAINED EARNINGS $'000	(RESTATED) TOTAL $'000
Balance at 1 January 2013	192,156	(3,034)	44,565	233,687
Loss for the period	-	-	(66,418)	(66,418)
Other comprehensive income for the period, net of tax	-	3,676	-	3,676
Total comprehensive loss for the period	-	3,676	(66,418)	(62,742)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	(181)	-	-	(181)
Share based payments	41	-	-	41
Options expired, net of tax	642	(642)	-	-
Total transactions with owners in their capacity as owners	502	(642)	-	(140)
Balance at 30 June 2013	192,658	-	(21,853)	170,805
Balance at 1 July 2013	**192,658**	**-**	**(21,853)**	**170,805**
Loss for the year	**-**	**-**	**(6,170)**	**(6,170)**
Total comprehensive loss for the year	**-**	**-**	**(6,170)**	**(6,170)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	**9,585**	**-**	**-**	**9,585**
Balance at 30 June 2014	**202,243**	**-**	**(28,023)**	**174,220**

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

FOR THE YEAR ENDED 30 JUNE 2014

	NOTES	YEAR ENDED 30 JUNE 2014 $'000	6 MONTHS ENDED 30 JUNE 2013 $'000
Cash flows from operating activities			
Receipts from customers		**23,281**	-
Payments to suppliers and employees (inclusive of GST)		**(32,145)**	(1,884)
		(8,864)	(1,884)
Other receipts		**340**	-
R&D tax grant		**2,464**	1,477
Receipts from settlement of gold price contracts		**-**	6,767
Interest received		**1,795**	1,425
Rent received (inclusive of GST)		**134**	65
Finance costs paid		**(198)**	-
Dividends received		**452**	-
Net cash (outflow) / inflow from operating activities	10(a)	**(3,877)**	7,850
Cash flows from investing activities			
Payments for property, plant and equipment		**(81,748)**	(29,264)
Proceeds from sale of property, plant and equipment		**99**	4
Proceeds from sale of available-for-sale financial assets		**43,599**	13,608
Refund of security deposits		**1,020**	334
Payments for security deposits		**(4,085)**	-
Payments for exploration expenditure		**(13,533)**	(7,951)
Net cash outflow from investing activities		**(54,648)**	(23,269)
Cash flows from financing activities			
Proceeds from issue of shares	8(a)	**10,400**	-
Cost of share issue	8(a)	**(600)**	(2)
Net cash inflow / (outflow) from financing activities		**9,800**	(2)
Net decrease in cash and cash equivalents		**(48,725)**	(15,421)
Cash and cash equivalents at the beginning of the financial period		**64,294**	79,715
Cash and cash equivalents at end of period	6(a)	**15,569**	64,294

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

HOW NUMBERS ARE CALCULATED

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the activities of the entity, including:

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction

(b) analysis and sub-totals, including segment information

(c) information about estimates and judgements made in relation to particular items.

1 SEGMENT INFORMATION

(a) SEGMENT RESULTS

Management has determined the operating segments based on the reports reviewed by the board that are used to make strategic decisions. The group operates in one geographic segment, being Australia, and has identified two operating segments, being gold operations and the exploration and evaluation of rare metals[1].

	GOLD OPERATIONS $'000	RARE METALS[1] $'000	UNALLOCATED $'000	GROUP $'000
2014				
Gold sales to external customers	23,281	-	-	23,281
Interest income	171	24	1,336	1,531
Dividend income	-	-	452	452
Total segment revenue	23,452	24	1,788	25,264
Segment net profit / (loss) before income tax	(3,735)	(211)	2,669	(1,277)
Segment net profit / (loss) includes the follow-ing non-cash adjustments:				
Depreciation and amortisation	(9,918)	-	(102)	(10,020)
Deferred stripping costs capitalised	14,314	-	-	14,314
Impairment charges	-	-	(3,769)	(3,769)
Exploration expenditure written off or provided for	(29)	(34)	(809)	(872)
Inventory movement	14,802	-	-	14,802
Income tax expense	-	-	(4,893)	(4,893)
Total non-cash adjustments	19,169	(34)	(9,573)	9,562
Total segment assets	112,967	61,277	26,741	200,985
Total segment liabilities	(14,535)	(3,749)	(8,481)	(26,765)
Net assets	98,432	57,528	18,260	174,220

Other costs that do not relate to either of the operating segments, have been identified as unallocated costs. Corporate assets and liabilities that do not relate to either of the operating segments have been identified as unallocated. The treasury function is managed at a group level and therefore cash and cash equivalents have been allocated to the unallocated grouping. The group has formed a tax consolidation group and therefore tax balances have been allocated to the unallocated grouping.

In the prior period, the group had identified one reportable segment, being exploration and development activities for gold and other minerals undertaken in Australia.

2 REVENUE

	YEAR ENDED 30 JUNE 2014 $'000	6 MONTHS ENDED 30 JUNE 2013 $'000
Revenue from continuing operations		
Gold sales	**23,281**	-
Other revenue		
Interest income	**1,531**	1,370
Dividend income	**452**	-
Total other revenue	**1,983**	1,370
Total revenue	**25,264**	1,370

Revenue is measured at the fair value of the consideration received or receivable. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities.

2 REVENUE (continued)

(a) GOLD SALES

Revenue from gold sales is recognised where there has been a transfer of risks and rewards from the group to an external party, no further processing is required by the group, quality and quantity of the goods has been determined with reasonable accuracy and collectability is probable.

(b) INTEREST INCOME

Interest is recognised as it is accrued using the effective interest method.

(c) DIVIDEND INCOME

Dividends are recognised at their fair value when the right to receive is established.

3 EXPENSES

	YEAR ENDED 30 JUNE 2014 $'000	6 MONTHS ENDED 30 JUNE 2013 $'000
Cost of sales		
Cash costs of production	**44,243**	-
Deferred stripping costs capitalised	**(14,314)**	-
Inventory product movement	**(14,802)**	-
Depreciation and amortisation	**9,918**	-
Royalties and selling costs	**647**	-
	25,692	-
Other expenses		
Corporate administration	**2,270**	1,000
Employee remuneration and benefits	**1,329**	293
Professional fees and consulting services	**1,472**	449
Exploration expenditure provided for or written off	**872**	371
Directors' fees and salaries	**719**	393
Peak Hill site maintenance and rehabilitation	**157**	78
Depreciation	**102**	89
	6,921	2,673

(a) CASH COSTS OF PRODUCTION

Cash costs of production include ore and waste mining costs, processing costs and site administration and support costs. Cash costs of production include $7,985,000 of employee remuneration and benefits (2013: nil).

(b) DEFERRED STRIPPING COSTS CAPITALISED

Stripping costs capitalised represents the costs incurred in the development and production phase of a mine and are capitalised as part of the cost of constructing the mine and subsequently amortised over the useful life of the ore body that access is provided to on a units-of-production basis.

Refer to note 7(c)(ii) for further detail on the group's accounting policy for deferred stripping costs.

(c) INVENTORY MOVEMENT

Inventory movement represents the movement in balance sheet inventory of ore stockpiles, gold in circuit and bullion on hand.

4 OTHER INCOME AND EXPENSE ITEMS

	YEAR ENDED 30 JUNE 2014 $'000	6 MONTHS ENDED 30 JUNE 2013 $'000
Other net (expense) / income		
Gain / (loss) from sale of available-for-sale assets	**11,122**	(4,162)
Net foreign exchange losses	**(11)**	(29)
(Loss) / gain on disposal of non-current assets	**(1,307)**	3
Gain from settlement of gold price hedges	**-**	6,767
Other income	**406**	59
	10,210	2,638

During the period 11,200,311 Regis Resources Limited shares were sold at an average price of $3.89 for net proceeds of $43,599,000 and a gain on sale of $11,122,000 (2013: loss on sale of $4,162,000).

The net loss on disposal of non-current assets includes $1,451,000 loss on disposal of power line infrastructure relating to the Tomingley Gold Operation (TGO). The terms of the Connection Agreement, as is customary for such agreements in the state of New South Wales, required that ownership of the power line infrastructure constructed by TGO up to the site connection point would revert to Essential Energy upon connection.

5 INCOME TAX

(a) INCOME TAX EXPENSE

	YEAR ENDED 30 JUNE 2014 $'000	6 MONTHS ENDED 30 JUNE 2013 $'000
Current tax	**(1,833)**	(1,478)
Deferred tax	**6,726**	(29,332)
Total income tax expense / (benefit)	**4,893**	(30,810)

The group intends to lodge a research and development claim for activities performed during the year with the income tax return. The tax balances (income tax expense and net deferred tax liability) in the financial statements do not reflect an estimation of the benefit for such a claim as the review of activities performed and expenditures made has not progressed sufficiently to allow a reliable estimate of the amount of the claim. In the event that an eligible claim is made, tax payable would be reduced to the extent of this claim.

(b) RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE

	YEAR ENDED 30 JUNE 2014 $'000	6 MONTHS ENDED 30 JUNE 2013 $'000
Loss from continuing operations before income tax expense	**(1,277)**	(97,228)
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)	**(383)**	(29,169)
Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:		
Derecognition of previously recognised tax losses	**6,355**	-
Tax offset for franked dividends	**(194)**	-
Tax benefits of deductible equity raising costs	**(396)**	(180)
Research and development grant	**(2,464)**	(1,477)
Research and development expenditure already deducted	**1,856**	-
Other items	**119**	16
	5,276	(1,641)
Income tax expense / (benefit)	**4,893**	(30,810)

5 INCOME TAX (continued)

(c) RECOGNISED DEFERRED TAX ASSETS COMPRISING THE FOLLOWING:

	30 JUNE 2014 $'000	(RESTATED) 30 JUNE 2013 $'000
Tax losses	**1,332**	14,463
Capital raising and future business capital deductions	**855**	1,097
Property, plant and equipment	**8,457**	10,016
Other	**931**	636
Total deferred tax assets	**11,575**	26,212
Set-off of deferred tax liabilities	**(11,575)**	(24,781)
Net deferred tax assets	**-**	1,431

(i) Deferred tax assets		
Movements:		
Opening balance	**26,212**	19,367
Charged/credited:		
- profit or loss	**(14,422)**	7,025
- directly to equity	**(215)**	(180)
	11,575	26,212

MOVEMENTS	TAX LOSSES $'000	CAPITAL RAISING AND FUTURE BLACKHOLE DEDUCTIONS $'000	PROPERTY, PLANT AND EQUIPMENT $'000	OTHER $'000	TOTAL $'000
At 1 January 2013	17,672	1,289	150	256	19,367
Charged/(credited)					
- profit or loss	(3,209)	(12)	9,866	380	7,025
- directly to equity	-	(180)	-	-	(180)
At 30 June 2013	14,463	1,097	10,016	636	26,212
At 30 June 2013	**14,463**	**1,097**	**10,016**	**636**	**26,212**
Charged/(credited)					
- profit or loss	**(13,131)**	**(27)**	**(1,559)**	**295**	**(14,422)**
- directly to equity	**-**	**(215)**	**-**	**-**	**(215)**
At 30 June 2014	**1,332**	**855**	**8,457**	**931**	**11,575**

5 INCOME TAX (continued)

(d) RECOGNISED DEFERRED TAX LIABILITIES COMPRISING THE FOLLOWING:

	30 JUNE 2014 $'000	(RESTATED) 30 JUNE 2013 $'000
Exploration expenditure	**(15,676)**	(13,505)
Available-for-sale financial assets	**(1,208)**	(11,196)
Other	**(201)**	(80)
Total deferred tax liabilities	**(17,085)**	(24,781)
Set-off of deferred tax assets (note c(i))	**11,575**	24,781
Net recognised deferred tax liabilities	**(5,510)**	-

(i) Deferred tax liabilities

Movements:		
Opening balance	**24,781**	45,513
Charged/credited:		
- profit or loss	**(7,696)**	(22,307)
- to other comprehensive income	**-**	1,575
	17,085	24,781

MOVEMENTS	EXPLORATION EXPENDITURE $'000	AVAILABLE-FOR-SALE FINANCIAL ASSETS $'000	OTHER $'000	TOTAL $'000
At 1 January 2013 (restated)	19,967	25,448	98	45,513
Charged/(credited)				
- profit or loss	(6,462)	(15,827)	(18)	(22,307)
- to other comprehensive income	-	1,575	-	1,575
At 30 June 2013 (restated)	13,505	11,196	80	24,781
At 1 July 2013	**13,505**	**11,196**	**80**	**24,781**
Charged/(credited)				
- profit or loss	**2,171**	**(9,988)**	**121**	**(7,696)**
At 30 June 2014	**15,676**	**1,208**	**201**	**17,085**

(e) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY

	YEAR ENDED 30 JUNE 2014 $'000	6 MONTHS ENDED 30 JUNE 2013 $'000
Relating to equity raising costs	**215**	180
Relating to revaluation of available-for-sale asset	**-**	1,575
	215	1,755

(f) TAX LOSSES

Unused tax losses for which no deferred tax asset has been recognised	**21,183**	-
Potential tax benefit at 30.0%	**6,355**	-

The potential benefit of carried forward tax losses will only be obtained if taxable income is derived of a nature and amount sufficient to enable the benefit from the deductions to be realised. In accordance with the group's policies for deferred taxes, a deferred tax asset is recognised only if it is probable that sufficient future taxable income will be generated to offset against the asset.

Determination of future taxable profits requires estimates and assumptions as to future events and circumstances including commodity prices, ore resources, exchange rates, future capital requirements, future operational performance, the timing of estimated cash flows, the ability to successfully develop and commercially exploit resources and the profits that may be generated through the sale of assets identified as being available for sale.

5 INCOME TAX (continued)

(f) TAX LOSSES (continued)

Tax legislation prescribes the rate at which tax losses transferred from entities joining a tax consolidation group can be applied to taxable incomes and this rate is diluted by changes in ownership including capital raisings. As a result of the reduced taxable profits generated from the sale of investments to that previously forecast and as a result of the reduction in the rate at which the losses can be applied to future taxable incomes, the period of time over which it is forecast that these losses may be utilised has extended beyond that which management considers prudent to support their continued recognition for accounting purposes. Accordingly tax losses of $21.2 million have been derecognised in the current financial year. Derecognition for accounting purposes does not impact the ability of the group to utilise the losses to reduce future taxable profits.

Alkane Resources Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

(g) CHANGE IN ACCOUNTING POLICY

The group has applied the new accounting policy for recognition of tax bases on pre-2001 mining tenements from 1 July 2013, which was applied retrospectively. This has affected some of the amounts recognised and disclosed in the financial statements. The information shown in this note has been restated based on the new accounting policy. The adjustments made are explained in note 24(i).

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

This note provides information about the group's financial instruments, including:

- an overview of all financial instruments held by the group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The group’s exposure to various risks associated with the financial instruments is discussed in note 12. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned below.

The group holds the following financial instruments:

	NOTES	ASSETS AT FAIR VALUE $'000	FINANCIAL ASSETS AT AMORTISED COST $'000	TOTAL $'000
30 June 2014				
Cash and cash equivalents	6(a)	**-**	**15,569**	**15,569**
Receivables *	6(b)	**-**	**718**	**718**
Available-for-sale financial assets	6(c)	**4,945**	**-**	**4,945**
Other financial assets	6(d)	**-**	**6,736**	**6,736**
		4,945	**23,023**	**27,968**
30 June 2013				
Cash and cash equivalents	6(a)	-	64,294	64,294
Receivables *	6(b)	-	1,475	1,475
Available-for-sale financial assets	6(c)	41,083	-	41,083
Other financial assets	6(d)	-	3,671	3,671
		41,083	69,440	110,523

* *excluding prepayments and tax receivable balances which do not meet the definition of financial assets*

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	NOTES	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Financial liabilities at amortised cost			
Trade and other payables	6(e)	**13,755**	9,764

(a) CASH AND CASH EQUIVALENTS

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Cash at bank and on hand	**15,569**	9,294
Deposits at call	**-**	55,000
	15,569	64,294

Cash at bank at balance date bore a weighted average interest rate of 2.5% (2013: 3.6%).

(i) Classification as cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include cash on hand and deposits held at call with financial institutions and 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.

(b) RECEIVABLES

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Prepayments	**1,063**	44
GST and fuel tax credit receivable	**3,739**	2,161
Other receivables	**104**	1,475
	4,906	3,680

(i) Classification as receivables

Other receivables generally arise from transactions outside the usual operating activities of the group. Collateral is not normally obtained.

Receivables are recognised initially at fair value and then subsequently measured at amortised cost, less provision for doubtful debts. If collection of the amounts is expected in one year or less they are classified as current assets, if not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are classified as current.

Collectability of 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.

(ii) Fair value of receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

(iii) Impairment and risk exposure

Information about the impairment of receivables, their credit quality and the group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 12.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(c) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	YEAR ENDED 30 JUNE 2014 $'000	6 MONTHS ENDED 30 JUNE 2013 $'000
Listed equity securities		
Opening balance at beginning of period	**41,083**	89,425
Disposals during the period	**(43,599)**	(17,770)
Changes in fair value of shares disposed	**11,230**	5,252
Impairment charge	**(3,769)**	(35,824)
Closing balance at end of period	**4,945**	41,083

(i) *Classification of financial assets as available-for-sale*

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments. Financial assets that are not classified into any of the other categories (at fair value through profit and loss, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

Movements in available-for-sale assets are recognised in other comprehensive income, except where assets are deemed to be impaired, in which case they are taken through profit and loss. Refer to note 6(c)(ii) below for further details on the determination of impairment.

The financial assets are presented as current assets as management intends on disposing of them within 12 months of the end of the reporting period.

(ii) *Impairment indicators for available-for-sale financial assets*

A security is considered to be impaired if there has been a significant or prolonged decline in the fair value below its cost. Refer to the group's impairment policy at note 9.

(iii) *Significant judgements*

To determine if an available-for-sale financial asset is impaired, the group evaluates the duration and extent to which the fair value of the asset is less than its cost, and the financial health of and short-term business outlook for the investee (including factors such as industry and sector performance, changes in technology and operational and financing cash flows). As a result of the fair value of the group's available-for-sale financial assets falling below cost as at 30 June 2014, the group determined that these declines in fair value were significant and prolonged and hence a pre-tax impairment of $3.8 million (2013: $35.8 million) has been recognised.

(iv) *Fair value, impairment and risk exposure*

The fair value of all available-for-sale assets are based on quoted market prices at the end of the period.

All available-for-sale financial assets are denominated in Australian dollars. For an analysis of the sensitivity of available-for-sale financial assets to price risk refer to note 12(a).

(d) OTHER FINANCIAL ASSETS

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Non-current assets		
Interest bearing security deposits	**6,736**	3,671

The above deposits are held by financial institutions as security for rehabilitation obligations as required under the respective exploration and mining leases. All interest bearing security deposits are held in Australian dollars and therefore there is no exposure to foreign currency risk. Please refer to note 12 for the groups exposure to interest rate risk. The fair value of other financial assets is equal to its carrying value.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(e) TRADE AND OTHER PAYABLES

	30 JUNE 2014 $'000	(RESTATED) 30 JUNE 2013 $'000
Current liabilities		
Trade payables	**7,046**	6,668
Other payables	**6,079**	3,096
Income tax payable	**630**	-
	13,755	9,764

Income tax payable does not meet the definition of a financial liability, however has been presented with other payable balances in this table.

Trade and other payables represent liabilities for goods and services provided to the group prior to the end of the financial period which are unpaid. Trade payables are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented in current liabilities unless payment is not due within 12 months from the reporting date.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

7 NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about the group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - inventories (note 7(a))
  - exploration and evaluation (note 7(b))
  - property, plant and equipment (note 7(c))
  - provisions (note 7(d))
- accounting policies for the above assets and liabilities
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

(a) INVENTORIES

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Current assets		
Ore stockpiles	**6,101**	-
Gold in circuit	**3,462**	-
Bullion on hand	**5,239**	-
Consumable stores	**589**	-
	15,391	-

(i) Assigning costs to inventories

The cost of individual items of inventory are determined using weighted average costs. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to ore stockpiles, gold in circuit and bullion on hand on the basis of weighted average costs. Inventories must be carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete, processing and to make a sale. All inventories are currently carried at cost.

Consumable stores include diesel, explosives and warehouse stores.

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(b) EXPLORATION AND EVALUATION

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Opening balance at beginning of period	**45,278**	66,556
Expenditure during the period	**14,453**	7,853
Amounts provided for or written off	**(872)**	(371)
Impairment charge	**-**	(28,760)
Transfer to mining properties	**(5,453)**	-
Closing balance end of period	**53,406**	45,278

Exploration and evaluation costs are carried forward on an area of interest basis. Costs are recognised and carried forward where rights to tenure of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit is not larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine properties under development. No amortisation is charged during the exploration and evaluation phase.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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

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

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(c) PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WIP $'000	MINE PROPERTIES $'000	TOTAL $'000
Year ended 30 June 2014					
Opening cost	**12,374**	**1,051**	**41,606**	**2,380**	**57,411**
Additions	**3,018**	**94**	**60,837**	**19,226**	**83,175**
Transfers between classes	**9,590**	**68,646**	**(101,984)**	**23,748**	**-**
Disposals	**(245)**	**(2,342)**	**-**	**-**	**(2,587)**
Transfers from exploration and evaluation	**-**	**-**	**-**	**25,019**	**25,019**
Net movement	**12,363**	**66,398**	**(41,147)**	**67,993**	**105,607**
Closing cost	**24,737**	**67,449**	**458**	**70,373**	**163,017**
Opening accumulated depreciation and impairment	**(2,408)**	**(718)**	**(30,107)**	**(1,056)**	**(34,289)**
Depreciation charge	**(1,902)**	**(1,502)**	**-**	**(6,616)**	**(10,020)**
Transfers between classes	**-**	**(23,689)**	**30,107**	**(6,418)**	**-**
Transfers from exploration and evaluation	**-**	**-**	**-**	**(19,566)**	**(19,566)**
Disposals	**-**	**890**	**-**	**-**	**890**
Net movement	**(1,902)**	**(24,301)**	**30,107**	**(32,600)**	**(28,696)**
Closing accumulated depreciation and impairment	**(4,310)**	**(25,019)**	**-**	**(33,656)**	**(62,985)**
Net carrying value	**20,427**	**42,430**	**458**	**36,717**	**100,032**
(Restated)					
6 months ended 30 June 2013					
Opening cost	7,445	673	10,773	1,044	19,935
Additions	4,929	379	30,833	1,336	37,477
Disposals	-	(1)	-	-	(1)
Net movement	4,929	378	30,833	1,336	37,476
Closing cost	12,374	1,051	41,606	2,380	57,411
Opening accumulated depreciation and impairment	(4)	(253)	-	-	(257)
Depreciation charge	(1)	(89)	-	-	(90)
Impairment charge	(2,403)	(376)	(30,107)	(1,056)	(33,942)
Net movement	(2,404)	(465)	(30,107)	(1,056)	(34,032)
Closing accumulated depreciation and impairment	(2,408)	(718)	(30,107)	(1,056)	(34,289)
Net carrying value	9,966	333	11,499	1,324	23,122

(i) Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment charges. Historical cost includes:

- expenditure that is directly attributable to the acquisition of the items
- direct costs associated with the commissioning of plant and equipment including pre-commissioning costs in testing the processing plant
- where the asset has been constructed by the group, the cost of all materials used in construction, direct labour on the project and project management costs associated with the asset
- the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(c) PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts over their estimated useful lives as follows:

- buildings 10 years
- plant and equipment units of production
- mining properties units of production
- office equipment 3 - 5 years
- furniture and fittings 4 years
- motor vehicles 4 - 5 years
- software 2 - 3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(ii) Deferred stripping costs capitalised

Overburden and other mine waste materials removed during the initial development of a mine site in order to access the mineral deposit is referred to as development stripping. Costs directly attributable to development stripping inclusive of an allocation of relevant overhead expenditure, are capitalised as a non-current asset in mine properties. Capitalisation of development stripping costs cease at the time that saleable material begins to be extracted from the mine. Development stripping costs are amortised over the useful life of the ore body that access has been provided to on a units of production basis.

Production stripping commences at the time that saleable materials begin to be extracted from the mine and normally continues throughout the life of a mine. The costs of production stripping are charged to the income statement as operating costs, when the current ratio of waste material to ore extracted for a component of the ore body is below the expected stripping ratio of that component. When the ratio of waste to ore is not expected to be constant, production striping costs are accounted for as follows:

- all costs are initially charged to profit or loss and classified as operating costs
- when the current ratio of waste to ore is greater than the estimated ratio of a component of the ore body, a portion of the stripping costs, inclusive of an allocation of relevant overhead expenditure, is capitalised to mine properties
- the capitalised stripping asset is amortised over the useful life of the ore body to which access has been improved.

The amount of production stripping costs capitalised or charged in a reporting period is determined so that the stripping expense for the period reflects the estimated life of ore component strip ratio. Changes to the estimated waste to ore ratio of a component of the ore body are accounted for prospectively from the date of change. Deferred stripping capitalised is included in mine properties in production.

(iii) Mine properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred by the group in relation to areas of interest for which the technical feasibility and commercial viability of the extraction of mineral resources are demonstrable.

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(c) PROPERTY, PLANT AND EQUIPMENT (continued)

(iii) Mine properties (continued)

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when it is probable that the additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditure is classified as part of the cost of production. Mine properties are amortised on a units of production basis over the economically recoverable resources of the mine concerned. The unit of account is tonnes milled.

Refer to note 9 for the group's impairment policy in relation to non-current assets.

(d) PROVISIONS

	30 JUNE 2014			30 JUNE 2013		
	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Employee benefits	**971**	**111**	**1,082**	519	135	654
Rehabilitation	**-**	**6,418**	**6,418**	-	1,336	1,336
	971	**6,529**	**7,500**	519	1,471	1,990

(i) Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(ii) Information about individual provisions and significant estimates

Employee benefits

The provision for employee benefits relates to the group’s liability for long service leave and annual leave.

The current provision represents amounts for annual leave that are expected to be settled within 12 months of the end of the period in which the employees render the related service 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.

Vested long service leave for which the group does not have an unconditional right to defer settlement, regardless of when the actual settlement is expected to occur is presented in current provisions

The liability for long service leave not expected to vest within 12 months after the end of the period in which the employees render the related service is recognised in the non-current provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match as closely as possible, the estimated future cash outflows. Where the group does not have an unconditional right to defer settlement for any annual or long service leave owed, it is classified as a current provision regardless of when the group expects to realise the provision.

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(d) PROVISIONS (continued)

(iii) Movements in provisions

Movements in rehabilitation and mine closure provisions during the financial year are set out below:

	REHABILITATION AND MINE CLOSURE $'000
30 June 2014	
Carrying amount at the start of the year	1,336
Additional provision incurred	4,912
Unwinding of discount	170
Carrying amount at end of year	6,418

Rehabilitation and mine closure

The group has obligations to dismantle and remove certain items of property, plant and equipment and to restore and rehabilitate the land on which they sit.

A provision is raised for the estimated cost of settling the rehabilitation and restoration obligations existing at balance date, discounted to present value using an appropriate pre-tax discount rate.

Where the obligation is related to an item of property, plant and equipment, its cost includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located. Costs that relate to obligations arising from waste created by the production process are recognised as production costs in the period in which they arise.

The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of cash flows and the discount rate. The increase in the provision due to the passage of time of $170,406 (2013: nil) is recognised in finance charges in the statement of comprehensive income.

The provisions are reassessed at least annually. A change in any of the assumptions used to determine the provisions could have a material impact on the carrying value of the provision.

8 EQUITY

(a) CONTRIBUTED EQUITY

(i) Share capital

	NOTES	30 JUNE 2014 SHARES	30 JUNE 2013 SHARES	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Ordinary shares - fully paid	8(a)(ii)	**412,639,000**	372,639,000	**202,243**	192,658

(ii) Movements in ordinary share capital

DETAILS	NUMBER OF SHARES	$'000
Opening balance 1 January 2013	372,539,000	192,156
Share based payments	100,000	41
Transfer from options reserve	-	917
	372,639,000	193,114
Less: Transaction costs arising on share issue	-	(2)
Deferred tax credit recognised directly in equity	-	(454)
Balance 30 June 2013	372,639,000	192,658
Placement of shares	**40,000,000**	**10,400**
	412,639,000	**203,058**
Less: Transaction costs arising on share issue	**-**	**(600)**
Deferred tax credit recognised directly in equity	**-**	**(215)**
Balance 30 June 2014	**412,639,000**	**202,243**

(iii) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value.

(b) ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

	30 JUNE 2014 $'000	(RESTATED) 30 JUNE 2013 $'000
Opening balance 1 July 2013 / 1 January 2013	**(21,853)**	44,565
Net loss for the year / period	**(6,170)**	(66,418)
Closing balance	**(28,023)**	(21,853)

9 IMPAIRMENT OF ASSETS

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Impairment of assets		
Available-for-sale financial assets	**3,769**	35,824
Income tax benefit	**(1,131)**	(10,747)
Total impairment charges after tax	**2,638**	25,077

There was no impairment charge or impairment charge reversal recorded against gold cash generating units (CGU) in the year ended 30 June 2014 (2013: $43,891,000 after tax).

	GOLD CGU $'000	AFSA $'000	TOTAL $'000
30 June 2013			
Property, plant and equipment	33,942	-	33,942
Available-for-sale financial assets	-	35,824	35,824
Exploration and evaluation costs	28,760	-	28,760
Total impairment charge before tax	62,702	35,824	98,526

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment charge 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 of disposal and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(a) AVAILABLE-FOR-SALE FINANCIAL ASSETS

In the current reporting period, it was assessed that the decline in fair value below cost for available-for-sale financial assets was considered significant or prolonged, and as such an impairment charge was recorded.

(b) GOLD CASH GENERATING UNIT

At each balance date, the group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have been subject to an impairment charge or reversal of impairment charge. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent if any, of the impairment charge. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment charge is recognised immediately in the profit or loss.

Where an impairment charge subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment charge been recognised for the asset or CGU in prior years. A reversal of an impairment charge is recognised immediately in the statement of comprehensive income.

The recoverable amount of a CGU is the higher of its fair value less costs to sell (FVLCS) and its value in use (VIU). FVLCS is the best estimate of the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable willing parties, less the costs of disposal. This estimate is determined on the basis of best available market information taking into account specific conditions.

The key assumptions used in the FVLCS calculations include:

- commercially recoverable mineral inventories
- production volumes
- commodity prices
- the cash costs of production
- the AUD/USD foreign exchange rate
- discount rates.

VIU is the present value of the future cash flows expected to be derived from the CGU or group of CGU's. Cash flow projections are based on economic and regulatory assumptions and forecast trading conditions prepared by management.

10 CASH FLOW INFORMATION

RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Loss for the period after tax	**(6,170)**	(66,418)
Depreciation and amortisation	**10,020**	89
Impairment charges	**3,769**	98,526
Share-based payments	**-**	41
Net gain / (loss) on disposal of non-current assets	**1,307**	(3)
Net (gain) / loss on sale of available-for-sale financial assets	**(11,122)**	4,162
Exploration costs provided for or written off	**872**	371
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	**(2,817)**	14
Increase in inventories	**(15,391)**	-
Increase in trade and other payables	**8,757**	198
Increase / (decrease) in tax balances	**7,356**	(29,333)
(Decrease) / Increase in provisions	**(458)**	203
Net cash (outflow) / inflow from operating activities	**(3,877)**	7,850

RISK

This section of the notes discusses the group's exposure to various risks and shows how these could affect the group's financial position and performance.

11 CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

(a) CAPITALISATION OF EXPLORATION AND EVALUATION EXPENDITURE

The group has capitalised significant exploration and evaluation expenditure on the basis either that such expenditure 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.

(b) IMPAIRMENT OF AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

In the current reporting period, it was assessed that the declines in fair value below cost for certain available-for-sale financial assets were considered significant or prolonged, and as such an impairment loss was recorded. Refer to note 9 for details.

(c) IMPAIRMENT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE AND MINE PROPERTIES

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

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

The group has not recorded an impairment charge against exploration and evaluation expenditure in the current year (2013: $28,760,000).

(d) REHABILITATION AND MINE CLOSURE PROVISIONS

These provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment. The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of cash flows and the discount rate. Changes to one or more of these assumptions is likely to result in a change to the carrying value of the provision and the related asset or a change to profit and loss in accordance with the group's accounting policy stated in note 7(d)(ii).

(e) NET REALISABLE VALUE AND CLASSIFICATION OF INVENTORY

The group's assessment of the net realisable value and classification of its inventory requires the use of estimates, including the estimation of the relevant future commodity or product price, future processing costs and the likely timing of sale.

11 CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ERRORS (continued)

(f) INCOME TAXES

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

In addition, the group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. Utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. Refer to note 5(f) for the current recognition of tax losses.

(g) CORRECTION OF ERROR

Accounting for unrecorded transactions as at 30 June 2013

After the release of the annual report for the year ended 30 June 2013, it was noted that supplier invoices totalling $2,029,000 relating to Tomingley Gold Project construction activities were not recorded at 30 June 2013. The amounts were included in capital commitments. The error has been corrected by restating the affected balance sheet statement lines for the prior period as follows:

	30 JUNE 2013 $'000	INCREASE (DECREASE) $'000	(RESTATED) 30 JUNE 2013 $'000
Property, plant and equipment	21,093	2,029	23,122
Trade and other payables	7,735	2,029	9,764
Net assets	170,805	-	170,805

Capital commitments as disclosed at 30 June 2013 have been reduced by $2,029,000 from $42,445,000 to $40,416,000 million. There was no impact on the statement of comprehensive income.

12 FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, equity price risk, commodity price risk and interest risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group uses derivative financial instruments such as gold forward contracts to mitigate certain risk exposures.

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

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

(a) MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices, commodity prices and interest rates 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) Foreign exchange risk

The group's sales revenue for gold is denominated in US dollars and the majority of operating costs are denominated in Australian dollars, the group's cash flow is significantly exposed to movement in the A$:US$ exchange rate. The group mitigates this risk through the use of derivative instruments, including but not limited to Australian dollar denominated gold forward contracts.

These Australian dollar denominated gold forward contracts are entered into and continue to be held for the purpose of physical delivery of gold bullion. As a result, the contracts are not recorded in the financial statements. Refer to note 14(b) for further information.

12 FINANCIAL RISK MANAGEMENT (continued)

(a) MARKET RISK (continued)

(ii) Equity price risk

Exposure

The group is exposed to equity securities price risk. This risk arises from investments held by the group and classified on the statement of comprehensive income as available-for-sale. The majority of the group's equity investments are publicly traded.

Sensitivity

The table below summarises the impact of movements in the price of investments on the group's equity and post-tax profit for the year. The analysis is based on the assumption that the equity prices had increased by 10% respectively or decreased by 10% with all other variables held constant.

	IMPACT ON POST-TAX PROFIT		IMPACT ON OTHER COMPREHENSIVE INCOME	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Risk Variable				
Equity securities +10%	**-**	-	**346**	2,876
Equity securities -10%	**(346)**	(2,876)	**-**	-

(iii) Commodity price risk

Exposure

The group's sales revenues are generated from the sale of gold. Accordingly, the group's revenues are exposed to commodity price fluctuations, primarily gold. The group mitigates this risk through the use of derivative instruments, including but not limited to Australian dollar denominated gold forward contracts.

(iv) Cash flow and fair value interest rate risk

The group's main interest rate risk arises through its cash and cash equivalents and other financial assets held within financial institutions. The group minimises this risk by utilising fixed rate instruments where appropriate.

Summarised market risk sensitivity analysis

		INTEREST RATE RISK		EQUITY PRICE RISK			
		IMPACT ON PROFIT AFTER TAX		IMPACT ON PROFIT AFTER TAX		IMPACT ON OTHER COMPREHENSIVE INCOME	
	CARRYING AMOUNT $'000	+100BP $'000	-100BP $'000	+10% $'000	-10% $'000	+10% $'000	-10% $'000
At 30 June 2014							
Financial assets							
Cash and cash equivalents	**15,569**	**109**	**(109)**	**-**	**-**	**-**	**-**
Receivables *	**104**	**-**	**-**	**-**	**-**	**-**	**-**
Available-for-sale financial assets	**4,945**	**-**	**-**	**-**	**(346)**	**346**	**-**
Other financial assets	**6,736**	**47**	**(47)**	**-**	**-**	**-**	**-**
Financial liabilities							
Trade and other payables *	**(13,125)**	**-**	**-**	**-**	**-**	**-**	**-**
Total increase / (decrease)		**156**	**(156)**	**-**	**(346)**	**346**	**-**

* *excluding prepayments and tax balances which do not meet the definition of financial assets or liabilities.*

FINANCIAL REPORT

12 FINANCIAL RISK MANAGEMENT (continued)

(a) MARKET RISK (continued)

(iv) Cash flow and fair value interest rate risk (continued)

Summarised market risk sensitivity analysis (continued)

		INTEREST RATE RISK		EQUITY PRICE RISK			
		IMPACT ON PROFIT AFTER TAX		IMPACT ON PROFIT AFTER TAX		IMPACT ON OTHER COMPREHENSIVE INCOME	
	CARRYING AMOUNT $'000	+100BP $'000	-100BP $'000	+10% $'000	-10% $'000	+10% $'000	-10% $'000
At 30 June 2013							
Financial assets							
Cash and cash equivalents	64,294	450	(450)	-	-	-	-
Receivables *	1,474	-	-	-	-	-	-
Available-for-sale financial assets	41,083	-	-	-	(2,876)	2,876	-
Other financial assets	3,671	26	(26)	-	-	-	-
Financial liabilities							
Trade and other payables *	7,735	-	-	-	-	-	-
Total increase / (decrease)		476	(476)	-	(2,876)	2,876	-

* *excluding prepayments and tax balances which do not meet the definition of financial assets or liabilities.*

(b) CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

(i) Risk management

The group limits its exposure to credit risk in relation to cash and cash equivalents and other financial assets by only utilising banks and financial institutions with acceptable credit ratings.

(ii) Credit quality

The majority of the group's receivables that are classified as financial assets relates to a grant due from a government department for which credit risk is minimal. Tax receivables and prepayments do not meet the definition of financial assets. None of the group's receivables were past due or impaired at balance date.

(c) LIQUIDITY RISK

Liquidity risk is the risk that the group will not be able to meet its financial liabilities as they fall due. The group's approach to managing liquidity risk 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 board of directors monitors liquidity levels on an ongoing basis.

The group's financial liabilities generally mature within 3 months, therefore the carrying amount equals the cash flow required to settle the liability.

13 CAPITAL RISK MANAGEMENT

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

UNRECOGNISED ITEMS

This section of the notes provides information about items that are not recognised in the financial statements as they do not (yet) satisfy the recognition criteria.

In addition to the items and transactions disclosed below, there are also:

(a) UNRECOGNISED TAX AMOUNTS – SEE NOTE 5.

14 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) CONTINGENT LIABILITIES

As at the date of this report, there are no claims against the group that in the opinion of the directors, would have a material adverse effect on the operating results or financial position of the group.

(b) CONTINGENT ASSETS

The group has entered into forward gold sales contracts which are not accounted for on the balance sheet. A contingent asset of $493,000 (2013: nil) exists at the balance date in the event that the contracts are not settled by the physical delivery of gold.

The group previously entered into an agreement with the New South Wales Department of Trade and Investment Regional Infrastructure Services to receive cash grant monies for the construction of certain infrastructure relating to the Tomingley Gold Project. The group has subsequently met all of the requirements of the agreement and as a result has received the full amount of $4,000,000. There are no further monies expected to be received as a result of this grant.

15 COMMITMENTS

(a) EXPLORATION AND MINING LEASE COMMITMENTS

In order to maintain current rights of tenure to mining tenements, the group will be required to outlay the amounts disclosed in the below table. These costs are discretionary, however if the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Within one year	**1,207**	1,149

(b) NON-CANCELLABLE OPERATING LEASES

The group leases various offices under operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Within one year	**329**	185
Later than one year but not later than five years	**447**	-
	776	185

15 COMMITMENTS (continued)

(c) PHYSICAL GOLD DELIVERY COMMITMENTS

As part of its risk management policy, the group enters into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold. The gold forward contracts disclosed below did not meet the criteria of financial instruments for accounting purposes on the basis that they met the normal purchase / sale exemption because physical gold would be delivered into the contract. Accordingly, the contracts were accounted for as sale contracts with revenue recognised in the period in which the gold commitment was met. There were no contracts entered into at 30 June 2013.

	GOLD FOR PHYSICAL DELIVERY OUNCES	CONTRACTED GOLD SALE PRICE PER OUNCE ($)	VALUE OF COMMITTED SALES $'000
30 June 2014			
Within one year:			
Fixed forward contracts	24,000	1,444	34,656

(d) CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is $174,000 (2013: $40,416,000). The prior year commitment was significant as a result of the construction of the Tomingley Gold Project.

16 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial years.

OTHER INFORMATION

This section of the notes includes other information that must be disclosed to comply with the accounting stan-dards and other pronouncements, but that is not immediately related to individual line items in the financial statements.

17 INTERESTS IN OTHER ENTITIES

The group's subsidiaries at 30 June 2014 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

NAME OF ENTITY	STATE / COUNTRY OF INCORPORATION	OWNERSHIP INTEREST HELD BY THE GROUP 2014 %	2013 %
Australian Zirconia Limited	Western Australia	**100**	100
Australian Zirconia Holdings Pty Ltd	Western Australia	**100**	-
Skyray Properties Limited	British Virgin Islands	**100**	100
Kiwi Australian Resources Pty Ltd	Western Australia	**-**	100
Tomingley Holdings Pty Ltd	New South Wales	**100**	100
Tomingley Gold Operations Pty Ltd	New South Wales	**100**	100

The group is undertaking a process to simplify the group structure by deregistering dormant subsidiaries. Kiwi Australia Resources Pty Ltd was deregistered during the financial year. Skyray Properties Limited was officially de-registered on 23 July 2014, subsequent to balance date.

18 RELATED PARTY TRANSACTIONS

(a) PARENT ENTITIES

The parent entity within the group is Alkane Resources Ltd.

(b) SUBSIDIARIES

Interests in subsidiaries are set out in note 17.

18 RELATED PARTY TRANSACTIONS (continued)

(c) KEY MANAGEMENT PERSONNEL COMPENSATION

	YEAR ENDED 30 JUNE 2014 $	6 MONTHS ENDED 30 JUNE 2013 $
Short-term employee benefits	**1,577,534**	634,652
Post-employment benefits	**96,358**	33,127
Share-based payments	**-**	41,500
	1,673,892	709,279

Disclosures relating to Key Management Personnel are set out in the remuneration report.

Mr L A Colless and Ms K E Brown are associated with Mineral Administration Services Pty Ltd, a company which provides corporate administration, accounting and company secretarial services to the group. This fee is disclosed as short term employee benefits in the remuneration report.

Detailed remuneration disclosures are provided in the remuneration report.

(d) TRANSACTIONS WITH OTHER RELATED PARTIES

Purchases from entities controlled by key management personnel

Nuclear IT, a director related entity, provides information technology consulting services to the group which includes the coordination of the purchase of information technology hardware and software. The terms are documented in a service level agreement are represent normal commercial terms.

	YEAR ENDED 30 JUNE 2014 $	6 MONTHS ENDED 30 JUNE 2013 $
Purchase of computer hardware and software	**230,798**	104,419
Consulting fees and services	**23,079**	10,911
	253,877	115,330

(e) RELATED PARTY PAYABLES

There were no balances outstanding at the end of the reporting period in relation to transactions with related parties.

19 SHARE-BASED PAYMENTS

The company’s remuneration framework is set out in the remuneration report. All employees have the opportunity to earn an annual short-term incentive if predefined performance targets are achieved. The remuneration committee is responsible for approving the predefined targets, assessing whether the targets have been met and determining the quantum of any incentive to be awarded. The remuneration committee has the discretion to adjust incentives downwards in light of unexpected or unintended circumstances. Incentives may be settled by the issue of ordinary shares in Alkane Resources Ltd or by payment of cash.

At the end of the financial year, the company raised an incentive provision for $442,695 (2013: nil) for employees (excluding key management personnel) in relation to performance during the financial year ended 30 June 2014. It is anticipated that the incentive will be awarded through the issue of ordinary shares in Alkane Resources Ltd.

20 REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

PricewaterhouseCoopers

(i) Audit and other assurance services

	YEAR ENDED 30 JUNE 2014 $	6 MONTHS ENDED 30 JUNE 2013 $
Audit of annual financial statements	**88,000**	-
Review of half year financial statements	**30,000**	-
Other assurance services	**92,000**	-
Total remuneration for audit and other assurance services	**210,000**	-

(ii) Other services

Remuneration advice (including remuneration recommendations)	**55,478**	-
Total remuneration of PricewaterhouseCoopers	**265,478**	-

The group's previous auditors, Rothsay Chartered Accountants, audited the balances for the 6 months ended 30 June 2013 for an expense of $26,000.

21 EARNINGS PER SHARE

(a) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	2014 NUMBER	2013 NUMBER
Weighted average number of ordinary shares used in denominator in calculating basic earning per share	**372,713,962**	345,597,536

22 ASSETS PLEDGED AS SECURITY

As at the date of this report $6,736,000 (2013: $3,671,000) in deposits are held by financial institutions as security for rehabilitation obligations as required under the respective exploration and mining leases.

A subsidiary in the group, Tomingley Gold Operations Pty Ltd., has a hedging facility in place which is secured by:

- a first ranking, registered fixed and floating charge over all of the assets of the entity; and
- a first ranking, registered Mining Act 1992 (NSW) mortgage over the tenements relating to the Tomingley Gold Operation.

23 PARENT ENTITY FINANCIAL INFORMATION

SUMMARY FINANCIAL INFORMATION

The individual financial statements for the parent entity show the following aggregate amounts:

	30 JUNE 2014 $'000	30 JUNE 2013 $'000
Balance sheet		
Current assets	**15,736**	107,239
Non-current assets	**161,020**	67,260
Total assets	**176,756**	174,499
Current liabilities	**(2,347)**	(888)
Non-current liabilities	**(3,463)**	(135)
Total liabilities	**(5,810)**	(1,023)
Shareholders' equity		
Issued capital	**202,243**	192,658
Retained earnings	**(31,297)**	(19,182)
	170,946	173,476
Profit / (loss) for the year / period after income tax	**12,115**	(77,835)
Other comprehensive income	**-**	3,676
Total comprehensive income / (loss)	**12,115**	(74,159)

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

24 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of all significant accounting policies adopted in the preparation of the consolidated financial statements. The policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Alkane Resources Ltd and its subsidiaries. Comparatives presented are for the 6 month period to 30 June 2013.

(a) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Alkane Resources Ltd is considered a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Alkane Resources Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared under the historical cost basis, except for financial assets and liabilities which are measured at fair value.

(iii) Changes to presentation - classification of expenses

Alkane Resources Ltd decided in the current financial year to change the classification of its expenses in the consolidated income statement from a classification by nature to a functional classification. We believe that this will provide more relevant information to our stakeholders as it is more in line with common practice in the industries Alkane Resources Ltd is operating in, given that the group has transitioned back into operations. The comparative information has been reclassified accordingly.

24 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) PRINCIPLES OF CONSOLIDATION

(i) Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(ii) Joint arrangements

Under *AASB 11 Joint Arrangements* investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Alkane Resources Ltd has joint operations relating to exploration and development activities.

Joint operations

Alkane Resources Ltd Limited recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

Where part of a joint arrangement 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 arrangement area of interest, exploration expenditure incurred and carried forward to 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 thought not 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.

(c) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The board of Alkane Resources Ltd has at this time, identified two reportable segments, being gold operations and mining development. Previously the group had reported only one reportable segment, however with the completion of construction of the Tomingley Gold Project, the group has determined that two reportable segments better reflects the information provided to the board for analysis.

(d) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is Alkane Resources Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other income or other expenses.

24 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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.

(f) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

There are no dilutive securities outstanding, and as a result basic earnings per share is equivalent to diluted earnings per share.

(g) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(h) ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(i) CHANGE IN ACCOUNTING POLICY

During the current year the group has changed it's accounting policy in respect of the calculation of tax bases on mining tenements acquired pre-2001. Under the previous policy when determining the tax base of mining tenements recovered through use, the group had also included any capital gains tax base that could be deductible through the asset’s ultimate sale. Under the new policy, only those amounts that are deductible through the continual use of the asset are included in its tax base. The capital tax base is available to offset against any gains in the event that the group decides to sell its interest in the tenements however no deferred tax asset has currently been recognised. The change in accounting policy was applied retrospectively and the affected balance sheet statement lines have been restated. The following table shows the adjustments recognised for each individual line item.

	30 JUNE 2013 $'000	DECREASE $'000	(RESTATED) 30 JUNE 2013
Deferred tax asset	4,102	(2,671)	1,431
Accumulated losses	(19,182)	(2,671)	(21,853)

24 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Alkane Resources Ltd, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Alkane Resources Ltd.

(ii) Tax consolidation legislation

Alkane Resources Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Alkane Resources Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Alkane Resources Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Alkane Resources Ltd for any current tax payable assumed and are compensated by Alkane Resources Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Alkane Resources Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

(k) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB9, AASB2009-11, AASB2010-7

AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from* AASB 9, AASB 2010-7 *Amendments to Australian Accounting Standards arising from* AASB 9 *(December 2010)*, AASB 2012-6 *Amendments to Australian Accounting Standards - Mandatory Effective Date of* AASB 9 and *Transition Disclosures* AASB 2013-9 *Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (effective 1 January 2017)* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but is available for early adoption. When adopted, the standard will affect in particular the group accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised no such gains in other comprehensive income.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

24 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS (continued)

Certain new accounting standards and interpretations have been published that are applicable for the first time for the 30 June 2014 reporting periods. These standard are outlined below.

(i) AASB10, AASB11, AASB12, AASB127

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation - Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The adoption of AASB 10 has no impact on the amounts recognised in the group's financial statements.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

The group's investment in the joint operation partnership will be classified as a joint operation under the new rules. As the group already proportionally consolidates this investment, it has determined that its interest in joint arrangements were not affected by the adoption of the new standard.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. The group has determined that its disclosure of interests in other entities were not affected by the adoption of the new standard.

(ii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2015.

(iii) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 addresses the accounting for deferred stripping costs and requires the capitalisation of the component of waste removal costs that provides an improved access to the ore body. The group has applied this interpretation in the current year. There was no impact on the prior year as mining has commenced in the current financial year and there was no deferred stripping capitalised as at 1 July 2013.

(iv) AASB 124 Related Party Disclosures

AASB 124 removes certain individual key management personnel disclosure requirements and have no impact on the amounts recognised in the financial statements.

(v) AASB 2011-4 Amendments to Australian Accounting Standards

AASB 2011-4 removes the individual key management personnel disclosure requirements from the financial statements to the directors' report.

In the directors' opinion:

(a) the financial statements and notes set out on pages 48 to 84 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date, and

(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.

Note 24(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 directors.

D I Chalmers

Director

Perth

26 September 2014

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Independent auditor's report to the members of Alkane Resources Limited

Report on the financial report

We have audited the accompanying financial report of Alkane Resources Limited (the company), which comprises the consolidated balance sheet as at 30 June 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Alkane Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 24, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from 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 the auditor's 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, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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pwc

Independent auditor's report to the members of Alkane Resources Limited (continued)

Auditor's opinion

In our opinion:

(a) the financial report of Alkane Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 24.

Report on the Remuneration Report

We have audited the remuneration report included in pages 38 to 45 of the directors' report for the year ended 30 June 2014. 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 Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
26 September 2014

APPROACH TO CORPORATE GOVERNANCE

Alkane Resources Ltd (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to ASX Corporate Governance Council Principles and Recommendations 2nd edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

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

CHARTERS

- Board
- Audit Committee
- Nomination Committee
- Remuneration Committee

POLICIES AND PROCEDURES

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

The Company reports below on whether it has followed each of the recommendations during the period from 1 July 2013 to 30 June 2014 (**Reporting Period**). The information in this statement is current at 26 September 2014.

BOARD

ROLES AND RESPONSIBILITIES OF THE BOARD AND SENIOR EXECUTIVES

(Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

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

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

BOARD (continued)

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

(Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report on pages 33 and 34.

The current composition of the Board includes directors with geological, engineering, finance and broking and general business skills and experience. The Board believes that these skills have been adequate for the Company's status to date. As the Company's projects develop and the Company matures, it is considered that augmenting the Board with additional members would enhance diversity and the depth of experience and expertise required as the Dubbo Zirconia Project is progressed. The Board is actively looking for additional Board members, who possess a high corporate profile, legal and/or capital raising and/or financing experience. Special attention continues to be placed on seeking female candidates for new Board positions.

DIRECTOR INDEPENDENCE

(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

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

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

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

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

The independent Chair of the Board is John Dunlop. The Board has also elected Mr Lethlean as lead independent director to support the Chair and the Board by:

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

BOARD (continued)

INDEPENDENT PROFESSIONAL ADVICE

(Recommendation: 2.6)

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

SELECTION AND (RE)APPOINTMENT OF DIRECTORS

(Recommendation: 2.6)

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

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

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

BOARD COMMITTEES

NOMINATION COMMITTEE

(Recommendations: 2.4, 2.6)

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

The full Board met in its capacity as the Nomination Committee twice during the Reporting Period, and all Board members attended both meetings. Details of director attendance at meetings of the full Board, in its capacity as the Nomination Committee, during the Reporting Period are set out in a table in the Directors’ Report on page 37. Nomination related matters were also discussed on at least four occasions during meetings of the full Board.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee. The Company’s Nomination Committee Charter is disclosed on the Company’s website.

AUDIT COMMITTEE

(Recommendations: 4.1, 4.2, 4.3, 4.4)

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

Details of each of the director's qualifications are set out in the Directors' Report on pages 33 and 34. Whilst none of the Audit Committee members have financial qualifications, each member is financially literate and has extensive industry knowledge. Further, the Chief Financial Officer of the Company is available to assist the Audit Committee. If necessary, the Audit Committee Charter also provides that the committee may seek explanations and additional information from the Company’s external auditors without management present, when required.

The Audit Committee held four meetings during the Reporting Period, which all Audit Committee members attended. Details of director attendance at Audit Committee meetings during the Reporting Period are set out in a table in the Directors’ Report on page 37.

BOARD COMMITTEES (continued)

AUDIT COMMITTEE (continued)

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

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. 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 and any recommendations are made to the Board.

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

REMUNERATION COMMITTEE

(Recommendations: 8.1, 8.2, 8.3, 8.4)

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

The Remuneration Committee held three meetings during the Reporting Period, which all Remuneration Committee members attended. Details of director attendance at Remuneration Committee meetings during the Reporting Period are set out in a table in the Directors’ Report on page 37. Remuneration related matters were also discussed by the full Board at one meeting during the Reporting Period.

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee. The Company’s Remuneration Committee Charter is disclosed on the Company’s website.

Details of remuneration, including the Company’s policy on remuneration, are contained in the “Remuneration Report” which forms of part of the Directors’ Report and commences on page 38. The Company's policy on remuneration clearly distinguishes the structure of non-executive directors’ remuneration from that of executive directors and senior executives. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to the performance of the Company. For services in addition to ordinary non-executive directors’ services, non-executive directors may charge per diem consulting fees at the rate specified by the Board from time to time for a maximum of 4 days per month over a 12-month rolling basis. Any fees in excess of this limit are to be approved by the Board. The Board may, from time to time, consider issuing share-based payments (including options) to non-executive directors, subject to obtaining the relevant shareholder approvals. Given the Company’s size and stage of development to date, the Board believes this is an effective means of attracting and retaining the highest calibre of professionals to the role whilst maintaining the Company’s cash reserves. This policy is subject to annual review. Executive pay and rewards consist of a base salary and performance incentives. Performance incentives may include share-based payments (including options) granted at the discretion of the Board and subject to obtaining the relevant approvals.

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

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

PERFORMANCE EVALUATION

SENIOR EXECUTIVES

(Recommendations: 1.2, 1.3)

The Managing Director is responsible for evaluating the performance of senior executives. The current size and structure of the Company allows the Managing Director to conduct informal evaluation regularly. Approximately annually, individual performance may be more formally assessed in conjunction with a remuneration review.

Informal senior executive performance evaluation, and the more formal evaluation in conjunction with remuneration reviews, has taken place during the Reporting Period in accordance with the process disclosed.

PERFORMANCE EVALUATION (continued)

BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

(Recommendations: 2.5, 2.6)

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

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

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

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

The Chair's review may include:

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

The Chair reports back to the full Board in its capacity as the Nomination Committee in regard to his review at least annually.

During the Reporting Period an evaluation of the Board, its committees, and individual directors took place in accordance with the process disclosed. The Chair circulated questionnaires to each director, which were completed and the Chair then reported the outcomes to the full Board in its capacity as the Nomination Committee.

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

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

ETHICAL AND RESPONSIBLE DECISION MAKING

CODE OF CONDUCT

(Recommendations: 3.1, 3.5)

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

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

ETHICAL AND RESPONSIBLE DECISION MAKING (continued)

DIVERSITY

(Recommendations: 3.2, 3.3, 3.4, 3.5)

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

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

MEASURABLE OBJECTIVE	PROGRESS TOWARDS ACHIEVEMENT DURING REPORTING PERIOD
Structural/procedural	
Periodic review of Diversity Policy	Reviewed 19 June 2014
Annual review of Diversity Strategy	Reviewed 19 June 2014
Assign responsibility for the Diversity Policy and its administration, monitoring and review	Assignment of responsibility remains outstanding. No progress during Reporting Period.
Initiatives and programs	
Review Policy and Procedure for Selection and (Re)Appointment of Directors and Board performance evaluation process	Reviewed 19 June 2014
Succession planning to incorporate diversity issues	Succession planning remains an ongoing process on an informal basis. Introduction of proactive diversity measures remains a lower priority than equal opportunity. However, special attention continues to be placed on seeking female candidates for new Board positions.
Consider the inclusion of diversity issues in KPIs	Incorporation of diversity issues in the development of KPIs has not yet occurred. This is a future dated target.
Develop HR policies and processes incorporating diversity issues	The development of policies and processes incorporating diversity issues has not yet been achieved.
Review workplace and cultural practices	Education and participation in cultural events is ongoing, with no specific progress in the Reporting Period to report.
Ensure recruitment practices are compliant with Diversity Policy and Strategy	This remains an ongoing process.
Contribute to enhanced local workforce	On-the-job training is provided for positions at the Tomingley Gold Operations.
Provide opportunities for career development	The Company has continued to provide a number of employees with professional development opportunities including attendance at courses, payment of tuition fees, time off work for study purposes and assistance with research materials.
Consider provision of budget for formal career development program	This has not progressed during the Reporting Period.
Specific diversity targets	
Increase the representation of women at Board level: ideally of the next two Board appointments at least one should be female with appropriate skills and attributes	There were no Board appointments during the Reporting Period. The Board is actively looking for additional Board members, potentially female, who possess a high corporate profile, legal and/or capital raising and/or financing experience.
Increase the representation of women at management level: ideally of the next two management appointments at least one should be a female with appropriate skills and attributes	Management roles filled during the Reporting Period included one senior executive, one senior manager and four other managers Applications were not submitted by females for all the positions but where available were considered with impartiality. Despite quality applications from females, the ultimate decision in engaging the best possible candidate for each position resulted in none of the positions being filled by females.

ETHICAL AND RESPONSIBLE DECISION MAKING (continued)

DIVERSITY (continued)

(Recommendations: 3.2, 3.3, 3.4, 3.5) (continued)

MEASURABLE OBJECTIVE	PROGRESS TOWARDS ACHIEVEMENT DURING REPORTING PERIOD
Specific diversity targets (continued)	
Increase the representation of women at professional /technical level: ideally of the next two professional/ technical appointments at least one should be a female with appropriate skills and attributes	During the Reporting Period the number of professional and senior technical roles increased from 10 to 33 and the number of females filling these roles increased from four to nine.
In general, aim for and encourage the recruitment of at least 20% of new personnel to be female	During the Reporting Period 15% of the increase in the total workforce across the organisation were females.

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

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at 30 June 2014 are included in the following table:

CATEGORY	TOTAL	NUMBER WOMEN	% WOMEN
Whole organisation (including Board and senior executives)	153	28	18
Board	4	0	0
Senior Executive* positions (excluding Board)	4	1	25
Senior Managers	5	0	0
Managers	7	2	29
Professional** / supervisors and superintendents	33	9	27
Technical / operators	77	7	9
Administration and support	6	4	67
In addition			
Casual / short-term professional staff on payroll at period end	4	1	25
Casual / short-term support staff on payroll at period end	13	4	31

* *includes "embedded" consultants ie 2x joint company secretaries*

** *includes "embedded" consultant ie 1x corporate communications officer*

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

CONTINUOUS DISCLOSURE

(Recommendations: 5.1, 5.2)

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

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

SHAREHOLDER COMMUNICATION

(Recommendations: 6.1, 6.2)

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

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

RISK MANAGEMENT

Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a 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 Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

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

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems. The Audit Committee reports to the Board in this regard at least twice per year. The Board has also established a separate Risk Management Committee to assist the Managing Director to identify, monitor and manage the Company's risks.

During the Reporting Period, the composition of the Risk Management Committee changed. For the period 1 July 2013 to 21 August 2013, the committee had six members; the Chair, the Managing Director, the NSW General Manager, the Chief Geologist, the Project Manager for Tomingley Gold Project and the Operations Manager for Tomingley Gold Project. The Chief Financial Officer attended meetings of the Risk Management Committee by invitation. On 22 August 2013, the Chief Financial Officer became a member of the Committee, and in December 2013, the Chief Operating Officer also joined the Committee. In March 2014, the Project Manager for Tomingley Gold Project was replaced by the Commercial Manager. The committee operates under a Risk Management Committee Charter that has been adopted by the Board.

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

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

The Board has formalised and documented the management of its material business risks. This system includes the preparation of a series of risk registers facilitated by third party consultants in consultation with the Board and management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks is allocated to members of senior management. Risk is a standing item at each scheduled Board meeting and the high ranked risks are reviewed at least quarterly, with the individual risk registers reviewed annually. During the Reporting Period, reviews of the Company's business risks and Tomingley Gold Project operational risks, facilitated by external consultants, were undertaken.

The categories of risk reported on as part of the Company's systems and processes for managing material business risks include: market-related risk; financial reporting risk; operational risk, environmental risk, human capital risk; sustainability, occupational health and safety; economic cycle/marketing; reputational risk; political risk; strategic risk; technological risk; ethical conduct and legal and compliance risk.

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

The Managing Director and the Chief Financial Officer 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 reporting risks.

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

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS CHECKLIST

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations as at the date of this statement:

RECOMMENDATION		COMPLY
Principle 1:	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✔
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✔
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1:	✔
Principle 2:	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	✔
2.2	The chair should be an independent director.	✔
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✔
2.4	The board should establish a nomination committee.	✘
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✔
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2:	✔
Principle 3:	**Promote ethical and responsible decision-making**	
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.	✔
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✔
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	✔
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✔
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3:	✔
Principle 4:	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	✔
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; and has at least three members.	✔
4.3	The audit committee should have a formal charter.	✔
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4:	✔
Principle 5:	**Make timely and balanced disclosure**	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	✔
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5:	✔

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS CHECKLIST (continued)

RECOMMENDATION		COMPLY
Principle 6:	**Respect the rights of shareholders**	
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 the policy.	✔
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6:	✔
Principle 7:	**Recognise and manage risk**	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	✔
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.	✔
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.	✔
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7:	✔
Principle 8:	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	✔
8.2	The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.	✔
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✔
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8:	✔

SHARE HOLDING AT 26 SEPTEMBER 2014 - ALK

(a) DISTRIBUTION OF SHAREHOLDERS

SHARE HOLDING	NUMBER OF HOLDERS OF FULLY PAID ORDINARY SHARES
1 - 1,000	804
1,001 - 5,000	2,302
5,001 - 10,000	1,182
10,001 - 100,000	1,920
100,001 - over	282
	6,490

(b) UNMARKETABLE PARCELS

There are 1,735 shareholders who hold less than a marketable parcel.

(c) VOTING RIGHTS

Voting rights are one vote per fully paid ordinary share

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

SHAREHOLDER	NUMBER OF SHARES
Abbotsleigh Pty Ltd	91,557,875
FIL Limited	41,263,900

TOP TWENTY SHAREHOLDERS AT 26 SEPTEMBER 2014

SHAREHOLDER	NUMBER OF SHARES	% ISSUED CAPITAL
JP Morgan Nominees Australia Limited	92,241,609	22.35
Abbotsleigh Pty Ltd	85,557,875	20.73
Citicorp Nominees Pty Limited	22,250,015	5.39
National Nominees Limited	15,003,888	3.64
National Nominees Limited <DB A/C>	13,251,387	3.21
HSBC Custody Nominees (Australia) Limited	12,540,489	3.04
Choice Investments Dubbo Pty Ltd	5,603,912	1.36
Sandhurst Trustees Ltd <DMP Asset Management A/C>	4,228,550	1.02
Funding Securities Pty Ltd <Colin J Ferguson S/F A/C>	3,900,000	0.95
Leefab Pty Ltd	2,188,723	0.53
Mr Richard Mitchell Dimond & Mrs Denise Rosslyn Dimond <The Dimond Super Fund A/C>	2,000,000	0.48
Ms Kathryn Swan	1,996,555	0.48
Berne No 132 Nominees Pty Ltd <152417 A/C>	1,540,000	0.37
Ms Jillanne Homewood	1,506,577	0.37
Spacebull Pty Limited	1,333,689	0.32
Mr David Hanbury Edmonds <David Edmonds S/F A/C>	1,310,353	0.32
Aquatic Resources Limited	1,165,845	0.28
Mr Raymond John Prince <RJ Prince Retire Fund A/C>	1,100,000	0.27
Ms Dongling Chen	1,047,000	0.25
HSBC Custody Nominees (Australia) Pty Ltd - A/C 3	1,000,000	0.24
	270,766,467	65.60

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

AT 26 SEPTEMBER 2014

TENEMENT NUMBER	PROJECT NAME/LOCALITY	ALKANE INTEREST %	OTHER INTERESTS
GL 5884 (Act 1904)	Peak Hill, NSW	100	Alkane group 100%
ML 6036	Peak Hill, NSW	100	
ML 6042	Peak Hill, NSW	100	
ML 6277	Peak Hill, NSW	100	
ML 6310	Peak Hill, NSW	100	
ML 6389	Peak Hill, NSW	100	
ML 6406	Peak Hill, NSW	100	
ML 1351	Peak Hill, NSW	100	
ML 1364	Peak Hill, NSW	100	
MLA 79 Or	Peak Hill, NSW	100	
ML 1479	Peak Hill, NSW	100	
EL 6319	Peak Hill, NSW	100	
EL 5548	Dubbo, NSW	100	Alkane group 100%
EL 8193	Dubbo NSW	100	
MLA 183 Or	Dubbo, NSW	100	
EL 7631	Geurie, NSW	100	
EL 6320	Wellington, NSW	100	Alkane group 100%
EL 5675	Tomingley, NSW	100	Alkane group 100%
EL 5830	Tomingley, NSW	100	
EL 5942	Tomingley, NSW	100	
EL 6085	Tomingley, NSW	100	
ML 1684	Tomingley, NSW	100	
EL 7020	Cudal, NSW	100	Alkane group 100%
ELA 5086	Cudal, NSW	100	
EL 4022	Bodangora, NSW	100	Alkane group 100%
EL 6209	Kaiser/Bodangora, NSW	0	Alkane group has right to acquire 100% from Ajax Joinery Pty Ltd
EL 8261	Finns Crossing near Bodangora, NSW	100	Alkane group 100%
EL 7971	Calula near Kerrs Creek, NSW	80	Alkane group 80%, Comet Resources Ltd 20%
EL 8170	Rockley, NSW	100	Alkane group 100%
EL 8194	Rockley, NSW	100	
EL 6082	Elsienora near Crooked Corner, NSW	0	Alkane group has right to earn 80% from Balamara Resources Limited
EL 6767	Elsienora near Crooked Corner, NSW	0	
E 46/522-I	Nullagine, WA	0	Alkane group retains 60% interest in diamond potential
E 46/523-I	Nullagine, WA	0	
E 46/524	Nullagine, WA	0	
M 36/303	Miranda Well, WA	20	Alkane group 20% diluting, Xstrata Nickel 80%
M 36/329	McDonough, WA	20	
M 36/330	McDonough, WA	20	