ALKANE
RESOURCES LTD

ANNUAL REPORT 2017

Competent Persons

Unless otherwise advised, the information in this report that relates to exploration results, Mineral Resources and Ore Rreserves is based on information compiled by Mr D Ian 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 Resource estimates for the Tomingley Gold Project (annual update released to ASX on 4 September 2017) is based on, and fairly represents, information which has been compiled by Mr Craig Pridmore MAusIMM, Geology Superintendent Tomingley Gold Operations and an employee of Alkane Resources Ltd. Mr Pridmore has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken 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'. Mr Pridmore consented to the inclusion in the report of the matters based on his information in the form and context in which they appear.
- The information in this report that relates to the Ore Reserve estimate for the Tomingley Gold Project (annual update released to ASX on 4 September 2017) is based on, and fairly represents, information which has been compiled by Mr John Millbank MAusIMM (Proactive Mining Solutions), an independent consultant. Mr Millbank has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken 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'. Mr Millbank consented to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Dubbo Project:

- The information in this report that relates to the Mineral Resource estimates is based on, and fairly represents, information which has been compiled by Mr Stuart Hutchin MAIG, an employee of Mining One Pty Ltd. Mr Hutchin has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken 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'. Mr Hutchin consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.
- The information in this report that relates to the Ore Reserve estimate is based on, and fairly represents, information which has been compiled by Mr Ievan Ludjio MAusIMM(CP) and Mr Mark Van Leuven FAusIMM (CP), employees of Mining One Pty Ltd. Mr Ludjio and Mr Van Leuven have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken 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'. Mr Ludjio and Mr Van Leuven each consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

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.

COMPANY INFORMATION

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CONTENTS

It is with great pleasure that I present to you the Alkane Resources Annual Report for 2017. It has been a positive year in which the Company has largely focused on preparations for significant developments touching both our major projects – the Dubbo Project and the gold operations at Tomingley.

The Dubbo Project, which is expected to position Alkane as a significant world producer of critical technology metals, is presently almost construction-ready as we finalise the off-take, design and financing arrangements. Considerable efforts have been expended during the past year to establish and consolidate relationships with potential customers, leading to an important MOU with Siemens. Our preferred approach is to produce high-value downstream products, and to this end the Company has been working to finalise product specifications for individual manufacturers, with the view to evaluation and prequalification. Whilst we are highly confident of our ability to sell our base grade products into the marketplace generally, we have preferred to focus on customers with requirements for higher grade material (and consequently higher value), which we have already produced at our demonstration plant at ANSTO.

It is a propitious time to be progressing the Dubbo Project. Recent developments in China's manufacturing sector are likely to lead to restricted supply outside China of certain critical elements that underpin many of the megatrends driving today's economy. Prices of these materials have already begun to climb as demand increases and the period of oversupply appears to have ended. As the most advanced poly-metallic project of its kind outside China, the Dubbo Project is highly significant as a potential long-term, reliable and independent supply option for these critical materials – including zirconias and rare earth elements. We look forward to finalising the financing and proceeding to construction.

At Tomingley Gold Operations (TGO), record production in the June 2017 quarter contributed to a total of 68,836 ounces poured for the financial year, which was within full-year guidance, despite rain severely hampering production during the first half of the year. A major focus for the year was investigation of the resource below the Wyoming One pit with the view to developing underground mining activities, and we are working towards producing a positive outcome later this year.

Our exploration efforts have targeted the discovery of significant gold deposits in the style of the Ridgeway-Cadia porphyry gold copper or McPhillamys gold deposits. Testing commenced in a section of the prospective belt that makes up the broader Tomingley Gold Project area, including near Alkane's currently inactive Peak Hill Gold Mine site. A drilling program was also carried out in four target areas of our Northern Molong Porphyry Project, confirming the potential of this 15km long corridor to host significant deposits.

This Annual Report marks my first as Chairman, and on behalf of the Board and the entire Alkane community, I wish to extend thanks to retiring Chairman, John Dunlop, for leading the Company for the past 11 years. John's engineering and mining expertise was particularly instrumental in the development of TGO, where he provided invaluable input into the feasibility study, construction and commissioning of the gold processing plant and mining operation. We wish him well for the future.

I also wish to acknowledge Ian Chalmers, who has stepped down as Managing Director after almost 11 years (and 30+ years at Alkane). In that time he has driven the Company back into gold production and advanced the world class Dubbo Project through feasibility towards construction. I am delighted that the Company has retained his services as Technical Director on the Board, which ensures that the Group continues to benefit from his geological expertise and substantial knowledge of the Dubbo Project.

We welcome Nic Earner, formerly the Chief Operations Officer, to the role of Managing Director, and we look forward to augmenting the Board with diverse and experienced candidates as the project progresses.

Finally, my thanks to the entire Alkane Resources team, including strategic partners and consultants, along with our many shareholders, for their ongoing support of Alkane. Particular thanks must be extended to retiring Chief Geologist, Terry Ransted, for his years leading the exploration team, and Sean Buxton for his leadership of the TGO team. We wish them both all the best for the future.

Ian Gandel

Chairman

ABOUT ALKANE

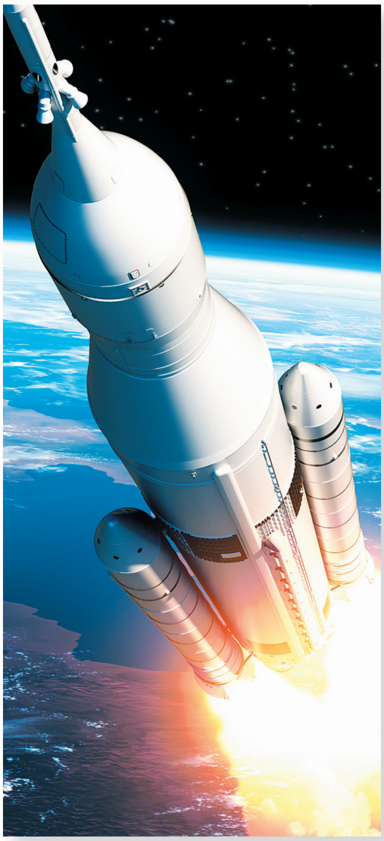
Alkane Resources is a multi-commodity mining and exploration company with a focus on technology metals that are essential for a range of future sustainable technologies. Clean energy, electric vehicles, artificial intelligence and modern healthcare all rely on elements that will be produced by Alkane subsidiary, Australian Strategic Materials (ASM) – namely zirconium, certain rare earths, hafnium and niobium. ASM's Dubbo Project, which is currently construction-ready, is poised to position the Company as a strategic and significant producer of these critical materials.

Alkane's projects and operations – encompassing the Dubbo Project, the Tomingley Gold Operations and other interests in gold and copper – are located in Central Western New South Wales, Australia. The Company's sustainable practices include upholding stringent social and environmental standards, with the view to minimising carbon footprint and leaving a positive legacy for local communities and the land alike.

GLOBAL MEGATRENDS NEED TECHNOLOGY METALS

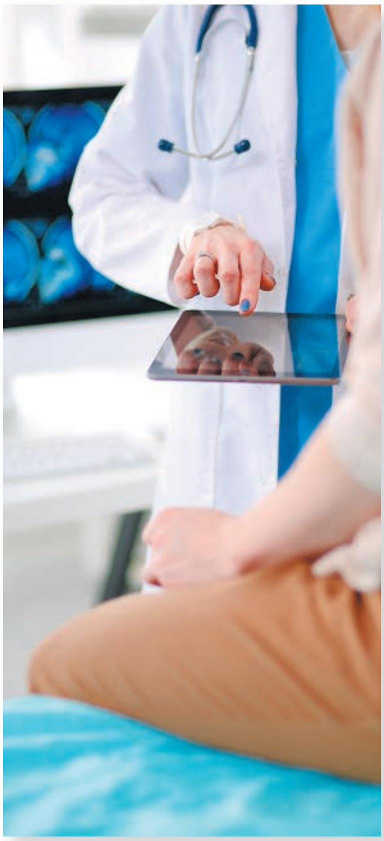
The Dubbo Project will produce a host of critical materials that underpin many of the so-called megatrends driving today's global economy. Growth of these megatrend industries is escalating; moreover, several are converging, creating growth rates much higher than historical levels.

- **Clean energy** – power generation with low emissions and enhanced energy storage
- **Transportation** – electric vehicles and aerospace developments using new materials
- **Ageing population** – new detection and treatment methods in healthcare
- **Internet of Things** – data networking of smart devices, vehicles and buildings
- **Automation and robotics** – the road to artificial intelligence



These megatrends all rely on myriad new and emerging technologies, many of which rely in turn on specialty materials or "technology metals" that will be produced by Alkane subsidiary, Australian Strategic Materials (ASM).

- **Zirconium** – Zirconium-based ceramics are used in solid oxide fuel cells, special alloys, dental replacements and jet turbine coatings; zirconium is also used in kidney dialysis and smartphones.
- **Rare earth elements** – Praseodymium/neodymium alloys are used in permanent magnets for wind power turbines, electric vehicles and industrial robots; rare earth elements are also used in medical imaging techniques, smartphones, fibre optics, special alloys, ceramics and electronics.
- **Hafnium** – Hafnium is used in several aerospace alloys and ceramics, while hafnium oxide is emerging as a material of choice in semiconductors and data storage devices.
- **Niobium** – Niobium's main use is in high-strength low-alloy (HSLA) steels; niobium alloys are being used in aerospace rocket engine nozzles (with hafnium); niobium is also used widely in engineering steels (including turbines), MRIs, capacitors for electric motors and mobile electronics.



ALKANE: AN ALTERNATIVE SOURCE OF SUPPLY

The global markets for most of the products that will be produced by the Dubbo Project are largely controlled by China's vast manufacturing industry. China currently produces more than 75% of the world's zirconium and over 90% of high-value rare earth elements. Recent developments in Chinese domestic policies, however, are expected to have far-reaching effects in China and world markets, particularly in those countries heavily invested in manufacturing.

Announced in March 2017, the *Made in China 2025* policy aims to move Chinese industry away from low-value, polluting industries to manufacturing for higher-value, downstream markets. As a result, several high-technology sectors now have various targets of up to 80% domestic supply by 2025. Alkane expects the outcome of these new policies to have the unintended consequence of restricting rest-of-world supply of certain critical elements (including zirconium and rare earth elements) due to consumption by downstream Chinese manufacturers. Moreover, supply of technology components containing these elements (such as rare earth permanent magnets and electric motors) would potentially cease as China focuses on selling finished products (such as electric vehicles or total wind turbine systems).

This means countries currently relying on supply from China will need to seek alternatives and develop complete mine-to-market supply chains in order to continue and guarantee production.

> The Dubbo Project is highly significant as a potential long-term, reliable and independent supply option outside China.

MARKET CONDITIONS

Due to the announced changes in China's manufacturing sector, Alkane expects that the period of low prices and oversupply is now over for rare earths and zirconium materials. The Chinese government has already embarked upon a "war on pollution", leading to stricter enforcement of environmental laws across the sector. The imposition of additional regulations along with environmental inspections and audits are causing temporary plant closures and are also likely to curb some illegal mining.

ZIRCONIUM

At the end of the 2017 financial year, zirconium chemical prices were 40% higher than end-2016, breaching US$2000/t for the base product, zirconium oxychloride (ZOC), to reach the highest levels in four to five years. This was partially due to the Chinese government-led clean-up of industry, which resulted in reduced production of ZOC, and also due to increased prices of the raw material, zircon, from which most zirconium is produced. The 20% increase in zircon price was underpinned by restricted supply. Further increase in ZOC price seems likely, as China increases the focus on ZOC waste streams (containing uranium and thorium) from production from conventional mineral sands sources, and their disposal.

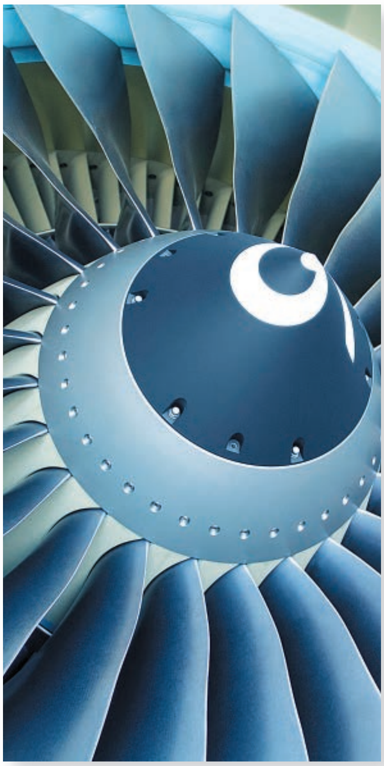
> Australian Strategic Materials (ASM) will produce and supply zirconium as zirconium chemicals (zirconium oxychloride ZOC and zirconium basic carbonate ZBC) and chemical zirconia (zirconium dioxide) in two basic grades – a standard grade and a high-purity grade at a range of product specifications.

RARE EARTHS

Continued strong and growing demand for rare earth permanent magnets in large-volume markets (such as renewable energy, electric vehicles and robotics) remains the primary driver for rare earths (mainly praseodymium and neodymium) and accounts for more than 75% of demand by value. At present, over 90% supply of high-value rare earths is from China, making the market sensitive to the recent developments in China's manufacturing sector. Praseodymium and neodymium prices closed the financial year at the highest levels in two years.

The price of magnet rare earths is anticipated to continue to increase with demand, and also in response to expected further developments in China. To recoup a US$30-40B industry clean-up cost, rare earth prices could double; moreover, if illegal rare earth mining is curbed (currently accounting for more than 50% of supply), production will be reduced. Additionally, the Made in China imperative will lead to increased domestic demand, with less available for export.

> ASM represents a source of critical rare earths that is independent of the dominant Chinese market. The Dubbo Project will produce a range of high-value rare earth oxides and metals – including the key magnet rare earths, praseodymium, neodymium, samarium, terbium and dysprosium.



HAFNIUM

In today's market, hafnium is only produced as a consequence of recovering hafnium-free zirconium metal for use in the nuclear industry. It is always found in nature combined with zirconium, from which it must be separated using advanced metallurgical processing. As a result, supply is currently dependent on companies that manufacture "nuclear" grade zirconium. This has limited world production to around 70tpa, of which about 75% relies on feedstock from China.

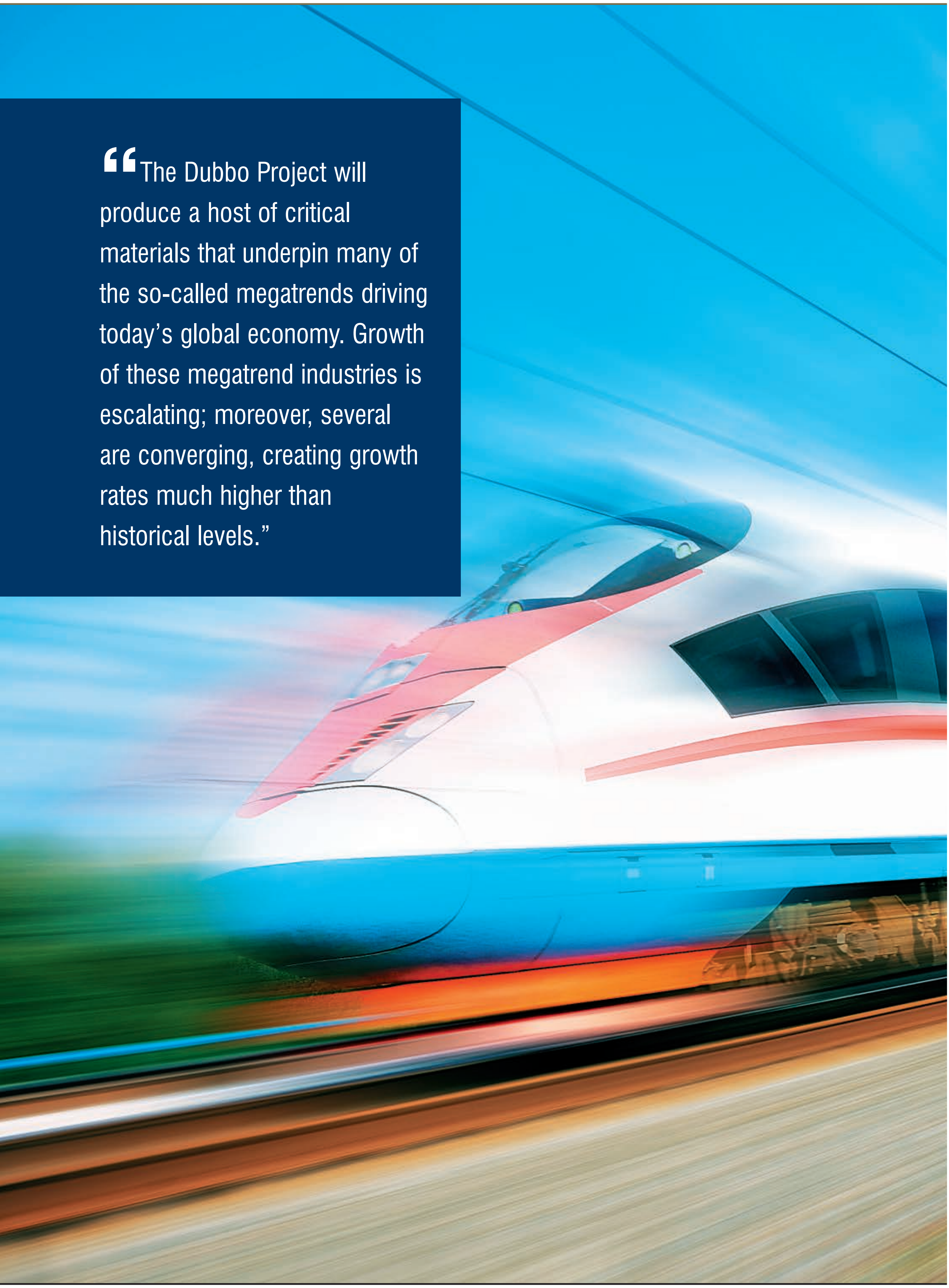
Ongoing losses by one of the main hafnium producers, France's Areva, alongside the announced Chapter 11 bankruptcy of another major producer, Westinghouse Electric Corporation, has put the hafnium market under pressure. In 2016, demand for hafnium, which is deemed essential for a wide range of existing and emerging applications, exceeded supply, and the market is likely to remain constrained in 2017. Even with Chinese zirconium companies starting to produce hafnium-free zirconium for their own nuclear industry, the few additional tonnes thus produced are expected to be consumed domestically. Despite this, the number of emerging applications could lead to double the demand for hafnium in the next 10 years, up to 150tpa.

ASM will offer a unique source of hafnium that is independent of both the Chinese and non-Chinese nuclear zirconium industries. The Company's start-up production will be around 50tpa in the form of hafnium chloride and hafnium dioxide powders at a number of different product specifications – including high-purity grades suitable for use in semiconductor applications.

NIOBIUM

The niobium market has remained largely flat, but is one of the most stable specialty metal markets, owing to the support of the three main producers. The main driver for demand remains high-strength low-alloy (HSLA) steels, which are widely used in the construction and automotive industries.

ASM will be the only Australian producer of ferro-niobium (onsite at the Dubbo Project) via a joint venture with Treibacher Industrie AG. A few different specifications containing different alloying impurities will be produced to meet market demand.



"The Dubbo Project will produce a host of critical materials that underpin many of the so-called megatrends driving today's global economy. Growth of these megatrend industries is escalating; moreover, several are converging, creating growth rates much higher than historical levels."

Development of Alkane's Dubbo Project, through wholly owned subsidiary, Australian Strategic Materials Ltd (ASM), represents a potential long-term strategic supply of critical minerals for a range of future technologies and remains the primary focus for the Company. The gold operations at Tomingley also continue, with record production in the June quarter and assessment of the most profitable approach to underground mining scheduled for completion late in 2017.

TOMINGLEY GOLD PROJECT

Alkane's Tomingley Gold Project consists of five exploration licences, one gold lease and 10 mining leases covering a 50km long prospective belt that extends from around the village of Tomingley, located approximately 50km south-west of Dubbo in Central Western NSW, to near Parkes in the south (an area of approximately 270 square kilometres). The Project incorporates the Company's currently active Tomingley Gold Operations and the inactive Peak Hill Gold Mine.

TOMINGLEY GOLD OPERATIONS (TGO)

Wholly owned by Alkane, TGO is based on four gold deposits near Tomingley (Wyoming One, Wyoming Three, Caloma One and Caloma Two) totalling 483,000 ounces. Production for the year ended June 2017 totalled 68,836 ounces of gold poured at an All in Sustaining Cost (AISC*) of A$1335/oz. A total of 226,771 ounces of gold have been recovered since start up in 2014.

2017 production was an excellent result largely due to a record 27,924 ounces of gold poured in the June 2017 quarter at an AISC of A$906, which counterbalanced the rain-hampered production in the first half of the financial year. The total annual production was within the original full year guidance. Production for the 2018 financial year is expected to be 65,000 to 70,000 ounces of gold at an AISC of A$1100 to A$1200.

Commissioned in January 2014, the TGO processing plant has been operating at the design capacity of 1Mtpa since late May 2014. In line with the original project schedule, open cut mining at Tomingley is scheduled to be completed in the September quarter of 2018. Meanwhile, TGO is investigating the Mineral Resource below the Wyoming One pit through a substantial core drilling program, with a view to determining the most profitable approach to underground mining by the end of 2017.

* 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.

2017 TGO PRODUCTION Highlights

- Gold poured 68,836 ounces
- Gold sold 69,929 ounces at average A$1678/oz
- All In Sustaining Cost A$1335/oz
- Revenues of A$117.3M and operating cash flow of A$32.7 million

MINERAL RESOURCES AND ORE RESERVES

The Company reports Ore Reserves and Mineral Resources for TGO as at 30 June 2017 in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012). These estimates take into account ore depleted by mining during the 2017 financial year and were reported to the ASX on 4 September 2017. Mineral Resources are wholly inclusive of Ore Reserves.

Tomingley Gold Operations Mineral Resources (as at 30 June 2017)

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	1,716	1.7	400	1.6	625	1.1	2,741	1.6	137
Wyoming Three	86	2.0	16	1.3	33	1.4	135	1.7	8
Caloma One	954	1.6	1,016	1.2	824	1.2	2,794	1.3	120
Caloma Two	-	0.0	956	2.1	927	1.1	1,883	1.6	97
Stockpiles	762	1.0					762	1.0	23
Sub Total	3,518	1.6	2,388	1.73	2,409	1.3	8,315	1.4	385
Underground Resources (cut off 2.50g/t Au)									
Wyoming One	169	4.8	206	4.4	363	4.2	738	4.4	104
Wyoming Three	10	3.6	6	3.1	4	3.1	20	3.4	2
Caloma One	-	0.0	5	3.0	16	2.9	21	2.9	2
Caloma Two	-	0.0	80	3.4	53	3.2	133	3.3	14
Sub Total	179	4.7	297	4.1	436	4.0	912	4.2	122
TOTAL	3,697	1.8	2,685	1.9	2,845	1.7	9,227	1.7	508

Apparent arithmetic inconsistencies are due to rounding.

Tomingley Gold Operations Ore Reserves (as at 30 June 2017)

DEPOSIT	PROVED		PROBABLE		TOTAL		TOTAL GOLD
	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	(Koz)
Open Pittable Reserves (cut off 0.50g/t Au)							
Wyoming One	1,033	1.7	134	1.5	1,167	1.6	63
Wyoming Three	0	0	0	0	0	0	0
Caloma One	58	2.2	0	0	58	2.2	4
Caloma Two	-	-	167	2.7	167	2.7	14
Stockpiles	762	1.0	-	-	762	1.0	22
Sub Total	1,853	1.4	301	2.2	2,154	1.5	104
Underground Reserves (cut off 2.50g/t Au)							
Wyoming One*	224	4.0	300.5	3.4	524.4	3.7	62
Sub Total	224	4.0	300.5	3.4	524.4	3.7	62
TOTAL	2,077	1.7	602	2.8	2,678	1.9	166

Apparent arithmetic inconsistencies are due to rounding.

*The Underground Reserves were advised in the ASX release of 9 December 2015 and these reserves are currently subject to a detailed core drilling program and revised feasibility study, scheduled to be completed late 2017.

Comparison of 2016/2017 TGO Mineral Resources and Ore Reserves

DEPOSIT	TOTAL RESOURCES						TOTAL RESERVES					
	2016			2017			2016			2017		
	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)
Wyoming One	3,067	1.6	153	2,741	1.6	137	1,447	1.6	78	1,167	1.6	63
Wyoming Three	135	1.7	8	135	1.7	8	0	0.0	0	0	0.0	0
Caloma One	3,700	1.4	163	2,794	1.3	120	1,322	1.5	62	58	2.2	4
Caloma Two	1,789	2.0	112	1,883	1.6	97	318	3.2	33	167	2.7	15
Stockpiles	701	0.8	18	762	1.0	23	701	0.8	18	762	1.0	22
Underground	932	4.2	125	912	4.2	123	524	3.7	62	524	3.7	62
TOTAL	10,324	1.8	579	9,227	1.7	508	4,312	1.8	253	2,678	1.9	166

Apparent arithmetic inconsistencies are due to rounding.

The table above compares the Mineral Resources and Ore Reserves year on year with 2016 as per the current reporting requirements. The primary differences from 2016 to 2017 are:

- Ore mined from Caloma One, Caloma Two and Wyoming One during the period.
- Mining at Wyoming Three completed in 2016.
- Caloma One mining nearing completion at the end of the period.

REGIONAL EXPLORATION

Alkane has also stepped up the exploration effort for additional resources and reserves in the 30km long prospective belt that comprises the broader Tomingley Gold Project area. Among the targets being reviewed for longer term development opportunities is Alkane's Peak Hill Gold Mine, located 15km south of TGO, which was itself previously in operation from 1996 to 2005. The Company is currently testing an initial belt of approximately 12km that runs from south of TGO to just north of the Peak Hill Gold Mine site. Early results indicate the presence of stratigraphy and mineralisation similar to that which hosts the ore deposits at Tomingley.

DUBBO PROJECT

Owned by Alkane subsidiary, Australian Strategic Materials (ASM), the Dubbo Project is based upon large in-ground resources of the metals zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements, and represents a potential strategic supply of these critical minerals for a range of future technologies. Located at Toongi, 25km south of the large regional centre of Dubbo in Central Western NSW, the Dubbo Project has a potential mine life of 70+ years and is the most advanced poly-metallic project of its kind outside China.

The project is currently construction-ready, subject to financing. The mineral deposit and surrounding land has been acquired, all State and Federal approvals are in place, and the project has a well-established flowsheet. Based on a strong business case, the Company is now focusing on refining marketing strategies for Dubbo Project products, including product off-take agreements and product prequalification where possible.

Dubbo Project Product Output

Tonnes Produced

Zirconium (Zr)

as zirconium chemicals & zirconia: 16,374tpa (ZrO_2 units)

Hafnium (Hf)

as hafnium oxide: 50tpa (HfO_2 units)*

Niobium (Nb)

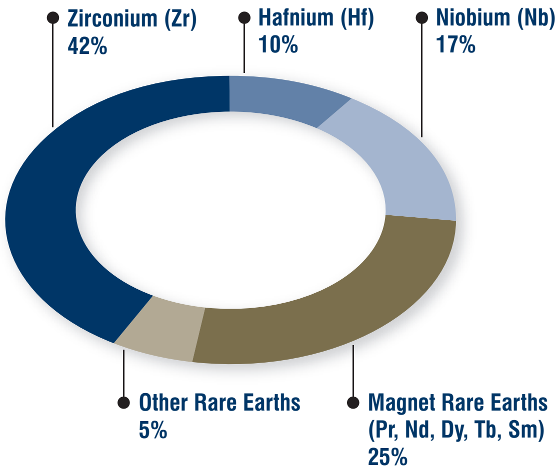
as ferro-niobium: 1,967tpa (Nb units)

Rare Earth Elements (REE)

as chemical concentrate: 6,664tpa (rare earth oxide units)
including 921tpa neodymium and 237tpa praseodymium oxides

* *Startup output; potential for 200tpa Hf, depending on market demand. Tonnages are for 1,000,000tpa production, based on recoveries developed from mass balances of the demonstration pilot plant.*

Revenue Split



MINERAL RESOURCES AND ORE RESERVES

The Company reports Ore Reserves and Mineral Resources for the Dubbo Project as at 30 June 2017 in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012). These estimates, provided by independent industry consultants Mining One Pty Ltd, take into account revised engineering, costings and revenue data, and were reported to the ASX on 19 September 2017.

The reportable Mineral Resources are based on the open pittable Toongi deposit, which has a depth extent of 115 metres below surface. These Mineral Resources are wholly inclusive of Ore Reserves, which are based on economic parameters applied to the Mineral Resources, reflecting an initial project horizon of 20 years.

Dubbo Project Mineral Resources (as at 30 June 2017)

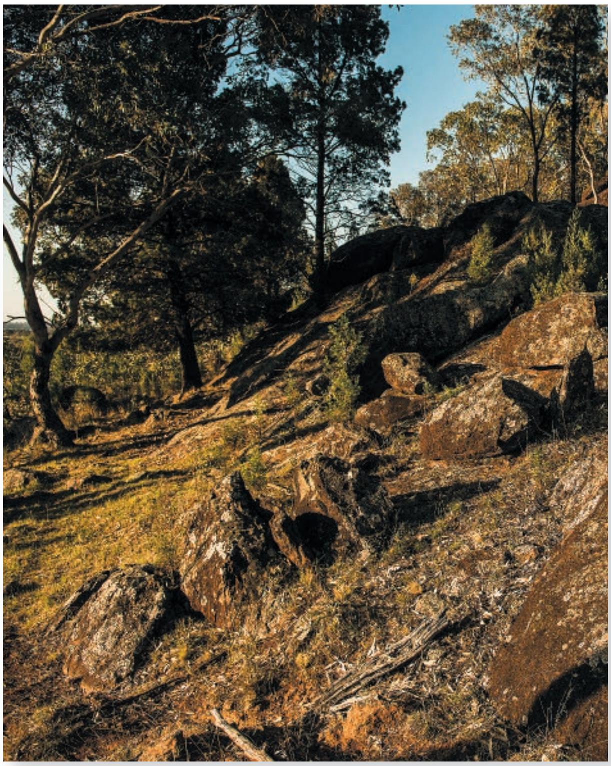
RESOURCE CATEGORY	TONNES (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	TREO* (%)
Measured	42.81	1.89	0.04	0.45	0.03	0.14	0.74
Inferred	32.37	1.90	0.04	0.44	0.03	0.14	0.74
TOTAL	75.18	1.89	0.04	0.44	0.03	0.14	0.74

* *TREO% is the sum of all rare earth oxides excluding ZrO_2, HfO_2, Nb_2O_5, Ta_2O_5, Y_2O_3*

Dubbo Project Ore Reserves (as at 30 June 2017)

RESOURCE CATEGORY	TONNES (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	TREO* (%)
Proved	18.90	1.85	0.04	0.440	0.029	0.136	0.735
Probable	0						
TOTAL	18.90	1.85	0.04	0.440	0.029	0.136	0.735

* *TREO% is the sum of all rare earth oxides excluding ZrO_2, HfO_2, Nb_2O_5, Ta_2O_5, Y_2O_3*



COMPARISON OF 2011/2016 TO 2017 MINERAL RESOURCES AND ORE RESERVES

The tables below compare the Mineral Resources and Ore Reserves year on year with 2016 as per the current reporting requirements.

Comparison Dubbo Project Mineral Resources

RESOURCE CATEGORY	2011/2016 TONNES (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	TREO*	2017 TONNES	ZrO_2 (Mt)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	TREO* (%)
Measured	35.7	1.96	0.04	0.46	0.03	0.14	0.74	42.81	1.89	0.04	0.45	0.03	0.14	0.74
Inferred	37.5	1.96	0.04	0.46	0.03	0.14	0.74	32.37	1.90	0.04	0.44	0.03	0.14	0.74
TOTAL	73.2	1.96	0.04	0.46	0.03	0.14	0.74	75.18	1.89	0.04	0.44	0.03	0.14	0.74

* *TREO% is the sum of all rare earth oxides excluding ZrO_2, HfO_2, Nb_2O_5, Ta_2O_5, Y_2O_3*

Comparison Dubbo Project Ore Reserves

RESOURCE CATEGORY	2011/2016 TONNES (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	TREO*	2017 TONNES	ZrO_2 (Mt)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	TREO* (%)
Proved	8.07	1.92	0.04	0.46	0.03	0.14	0.75	18.90	1.85	0.04	0.44	0.029	0.136	0.735
Probable	27.86	1.93	0.04	0.46	0.03	0.14	0.74	0						
TOTAL	35.93	1.93	0.04	0.46	0.03	0.14	0.74	18.90	1.85	0.04	0.44	0.029	0.136	0.735

* *TREO% is the sum of all rare earth oxides excluding ZrO_2, HfO_2, Nb_2O_5, Ta_2O_5, Y_2O_3*

The primary differences from 2016 to 2017 are:

- Mineral Resources are 2.7% higher for the total, with Measured 19% higher. Metal grades are fundamentally the same.
- Proved Ore Reserves are 134% higher with metal grades similar, reflecting greater confidence in the Project economics.
- Total Ore Reserves have been reduced 47% due to removal of the Probable Reserves. This reflects that the initial project site design and regulatory approvals, including appropriate waste storage facilities, is for a start-up 20 year life.

ENGINEERING

During the 2017 financial year, ASM has been working with Outotec, a global minerals and metals technology supplier, to refine the engineering design and overall project cost. This has led to the development of a modularised build approach, which involves the staged build of the processing plant while preserving the project economics. ASM considers the most advantageous option is to build the plant in two stages, each of half capacity, utilising some common infrastructure. This will allow the second stage to be built after the first stage is successfully commissioned and market pricing achieved for the products.

Costing for such a modularised build is being refined to allow construction to commence quickly following financing. Pending completion of this study, the following revenue and cost estimates have been calculated for the operation (details in ASX Announcement 28 October 2016):

- Stage 1 – Revenue US$200-220M, Opex US$120-130M
- Stage 1+2 – Revenue US$400-440M, Opex US$220-230M

FINANCING

ASM continues to work with its financial advisors, Sumitomo Mitsui Banking Corporation, to pursue the funding strategy for the project. Strategic investment, Export Credit Agency (ECA) finance and commercial debt remain the key components of the envisaged project funding suite. ASM has presented to numerous local and international fund managers, and discussions are continuing with relevant ECAs and commercial banks.

MARKETING AND OFF-TAKE STRATEGIES

Development and refinement of marketing strategies for Dubbo Project products has continued, bolstered by the appointment of Mr Alister MacDonald as General Manager – Marketing, extending his past role as technical marketing consultant since 2008. Mr MacDonald has over 30 years international experience in zirconium and related materials across the value chain.

In addition, ASM finalised a worldwide zirconium sales and marketing agreement with Minchem, a leading European manufacturing and trading company. A 12 month toll processing agreement has also been signed with Vietnam Rare Earths JSC (VTRE) for processing of rare earth concentrates into separate rare earth oxides and metals as required, following a memorandum of understanding (MOU) in April 2016.

ASM's preferred approach is to work directly with tech companies and focus on producing higher-value downstream products. This model is deemed to be the most profitable, while simultaneously offering best value, shorter lead times and transparent supply chains for customers. To this end, ASM and Minchem have had many discussions with interested companies across the world, with the view to securing zirconium product off-take agreements, supplier prequalification, MOUs or Letters of Intent (LOI).

In March 2017, Minchem had secured six non-binding LOIs for the supply of zirconium chemicals that will account for approximately 60% of the stage 1 development output, totalling about 15% of anticipated project revenues. These LOIs reflect expressions of interest in zirconia products, provided specifications for each prospective customer are met.

Discussions are also moving forward with prospective rare earth customers, with interest levels rising to a point that the Dubbo Project rare earth output is at risk of demand for the products being greater than the anticipated production.

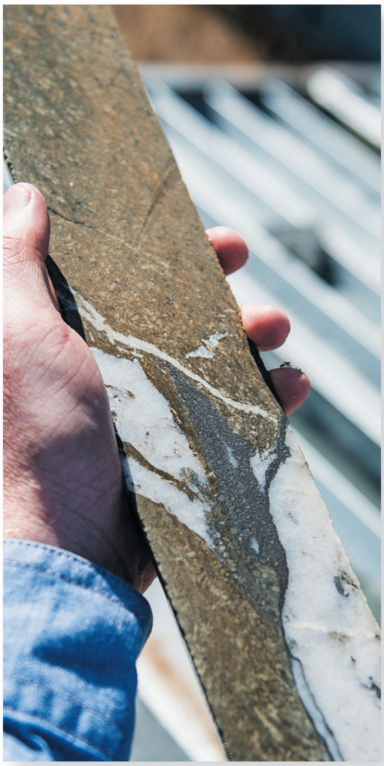
In October 2016, Alkane signed an MOU with global industrial group Siemens regarding the procurement of Siemens equipment and operational solutions, and future off-take of Dubbo Project products. The MOU paves the way for Siemens to use Dubbo Project products (in particular rare earths for permanent magnets, as well as the metals niobium, zirconium, and hafnium) in a range of high tech and green energy solutions – such as wind turbines. In turn, ASM will explore options to procure Siemens equipment and systems for the Dubbo Project processing plant.

For the purpose of producing sample products for customer evaluation and possible prequalification, the Dubbo Project Demonstration Pilot Plant at ANSTO was run during the September 2016 quarter. Zirconium products at different purity grades were produced, including a standard grade 99.1% and high-purity "nuclear" grade 99.6% zirconia. High-purity samples of hafnium oxide were also produced. Further development of value-added zirconium and hafnium chemicals, oxides and metals continued during the year, with a major focus on high-purity chemical precursors.

In order to establish and prove downstream toll processing supply and logistics functions of rare earth products, and bring forward customer approvals in advance of Dubbo Project development, ASM purchased two parcels of rare earth concentrate on the open market, totalling 80 tonnes. These were subsequently processed by VTRE to produce approximately 31 tonnes of separated rare earth oxides, including cerium, praseodymium and neodymium oxides. They will be sold on the market as oxides or metal alloys.

Disruption to China's supply of both zirconium chemical and rare earth magnet metals has given rise to increased urgency for western companies to secure long-term independent supplies of critical elements. Growing uncertainty over prices and supply makes the Dubbo Project an important new global source of supply.

The Company has interests at a number of projects in Central Western New South Wales. During the 2017 financial year, exploration efforts were again predominantly focused on the Tomingley Gold Project and the Northern Molong Porphyry Project.



NORTHERN MOLONG PORPHYRY PROJECT (GOLD-COPPER)

Alkane Resources Ltd 100%

Encompassing three exploration licences (Bodangora, Kaiser and Finns Crossing), the Northern Molong Porphyry Project covers an area of 110 square kilometres, centred about 20km north of Wellington and about 35km east of Dubbo. The project covers a large portion of the northern Molong Volcanic Belt, which is highly prospective for alkali porphyry-related mineralisation similar to the Cadia Valley deposits near Orange.

During the year, an RC drilling program tested four target areas (Driell Creek, Boda, Kaiser and Windora), confirming the potential of this 15km-long corridor to host significant deposits. The first results of a follow-up diamond drilling program completed post year-end were announced in August 2017, confirming the presence of epithermal style gold mineralisation crosscutting earlier porphyry gold-copper mineralisation at the Boda Prospect. (See ASX announcements of 3 April 2017 and 15 August 2017.)

ELSIENORA (GOLD)

Alkane Resources Ltd 100%

The Elsienora tenements are located 75km south of Blayney and are considered prospective for orogenic style gold mineralisation and volcanic hosted gold and base metal mineralisation. Alkane initially earned an 80% interest in two exploration licences at Elsienora, then finalised an agreement to purchase the residual 20% interest in the tenements. Previous RC drilling tested the strike extensions of the Cuddyong Prospect (ASX announcement 6 May 2016). No field activity took place during the year.

WELLINGTON (GOLD-COPPER)

Alkane Resources Ltd 100%

The Wellington Project hosts Galwadgere, a small copper-gold deposit with volcanogenic massive sulphide-type characteristics. No field activity took place during the year.

ROCKLEY (GOLD)

Alkane Resources Ltd 100%

The Rockley Project, located 35km south-east of Blayney, is considered prospective for McPhillamys style gold mineralisation. No field activity took place during the year.

CUDAL (GOLD-ZINC)

Alkane Resources Ltd 100%

Cudal is located 20km north-west of the Cadia Valley Operations of Newcrest Mining. The Company continues actively seeking joint venture partners for this tenement.

ORANGE EAST PROJECT (GOLD-COPPER)

Alkane Resources Ltd earning 80%

The Orange East Project is located approximately 15km east-south-east of Orange and consists of one exploration licence covering approximately 45 square kilometres. The project area hosts the historic Carangara copper workings at Byng (1850 to 1875); however, the most compelling exploration target is at the Gunnarbee prospect, where a multi-element soil geochemical anomaly, with a similar elemental suite to the surface anomaly at McPhillamys, has been outlined over an area of 1000m by 500m. No field activity took place during the year with land access arrangements under discussion.

LEINSTER REGION JOINT VENTURE (NICKEL-GOLD)

Alkane Resources Ltd 19.4% diluting

Alkane has a diluting 19.4% interest in this Western Australian nickel-gold exploration venture (Miranda and McDonough tenements). The remaining share is held by Australian Nickel Investments (ANI, a subsidiary of Western Areas Ltd).

ANI advised that activities have been focused in the Apollo area, which lies approximately 7km south-east of the main Cosmos nickel belt. The stratigraphy is genetically related to the "Camelot Nickel Camp", known to host significant volumes of high and low-grade nickel sulphide mineralisation. The prospective Camelot ultramafics (igneous rocks with a very low silica content and rich in minerals) have been interpreted to extend into the Apollo area. Work has been focused on extending the surface MLEM data coverage to the remainder of the tenement and to cover the area of known ultramafic lithology.

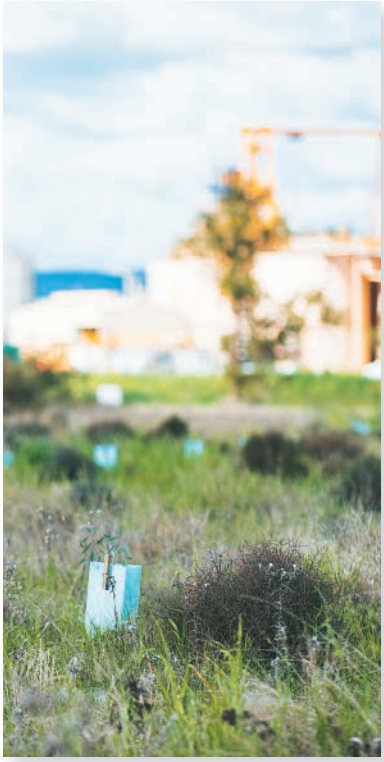
A heritage survey was undertaken prior to the commencement of proposed drilling at Apollo. Formal approval of those holes cleared to be drilled on the survey was received in the December 2016 quarter.

SUSTAINABILITY STATEMENT

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

The Company is keen to assist regional communities to 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.



SUSTAINABLE SUPPLY CHAIN

Alkane understands the importance leading technology companies are placing on the sustainable and ethical sourcing of raw materials across the supply chain – from mining and processing through to end-of-life. We share these values and are wholly committed to upholding stringent social and environmental standards for the mining and processing of our products.

Our mining and processing activities are carefully designed to occupy a small physical footprint, use low volumes of power, water and other consumables, and produce waste residues that are treated and stored with minimum impact to the environment. We also focus on protecting, nurturing and enhancing local biodiversity, as well as land rehabilitation once mining is finished.

We are diligent about ensuring that the conditions for our workforce – including the employees of our marketing and off-take partners in Australia and overseas – meet international occupational health and safety standards, with no exploitation or child labour. The Company has comprehensive systems of control and accountability, and administers corporate governance with openness and integrity based on the principles and recommendations of the ASX Corporate Governance Council.

Many of our specialty technology metal products will be produced onsite at Australian Strategic Materials' (ASM's) Dubbo Project, with others to be produced and marketed globally by business partners. As many of the Company's prospective customers are expected to enter into direct purchasing agreements with ASM or one of its off-take partners, the simplified and direct supply chain will bypass China (currently where many technology metals are processed), making it highly sustainable, cost-effective and easily traceable.

ENVIRONMENTAL MANAGEMENT

Alkane seeks to minimise our environmental footprint at all our mining and exploration sites, and we work hard to protect the wide variety of native species that live in our project areas. Our aim is to restore sites to be stable functioning ecosystems that are non-polluting and productive. This is achieved through careful design, creation of biodiversity offset areas, progressive rehabilitation, monitoring and management actions.

The process commences when we start developing a mining project – before any soil is turned. In accordance with commitments made in respective Environmental Impact Statements, consent conditions, Mining Operations Plans and Environment Protection Licences, meticulous plant design ensures our operations comply with regulation for water recycling and residue management to ensure sites are safe for local wildlife. Progressive rehabilitation of mining landforms commences in the early days of operation and continues for the life of the mine and beyond.

The establishment and care of biodiversity offset areas forms an important part of Alkane's commitment to the environment and the community. These designated areas are earmarked for the restoration and creation of new native habitats for animal species, especially those that are threatened and endangered, along with other measures to encourage biodiversity.

The Dubbo Project biodiversity offset areas (totalling 1,021Ha) are being managed by Alkane subsidiary, Toongi Pastoral Company (TPC), along with 1,995Ha of agricultural land. A Conservation Property Vegetation Plan was executed by Central West Local Land Services on 31 May 2017. This agreement outlines specific management actions and is binding on title in perpetuity.

At Tomingley Gold Operations (TGO), 121.6Ha of biodiversity offset areas are also protected by a Conservation Property Vegetation Plan signed in agreement with Local Land Services. Over the past few years, many thousands of trees and shrubs have been planted around the TGO site, including 35 hectares of native grey box (eucalyptus) woodland.

Alkane's track record in environmental management is illustrated by the rehabilitated landforms at the Peak Hill Gold Mine (in operation 1996 to 2005). A pleasant bushland setting frames the five mining voids, which are now open to the public. The site is increasingly species-rich, with several native bird and mammal species established as a result of Alkane's rehabilitation of the mining leases and adjoining land.

> “Alkane aims to leave a positive legacy for local communities and the land alike that long outlasts the life of our activities in the region.”

ALKANE'S INTEGRATED APPROACH TO FARMING AND CONSERVATION

With the establishment of Toongi Pastoral Company (TPC), Alkane is proud to have invested in agriculture to demonstrate that mining, farming and nature conservation can co-exist in harmony with the local community.

Overseen by a professional Farm Manager, TPC manages the Dubbo Project's residual agricultural land and assets as a single productive mixed farm. The aim is for TPC to operate as a profitable agricultural enterprise that demonstrates sustainable farming technologies – including genetics, soil and pasture management and engineering solutions. After just a year, it is already operating at a level of agricultural excellence, producing ethical, sustainable and environmentally conscious mixed farming produce, including lamb and beef.

TPC also manages the Dubbo Project's designated biodiversity offset areas. The integration of the biodiversity offset areas with the farm means this land is managed as an integral component of the farm (as opposed to being managed by the mining operations or a third party), making the best and most efficient use of company resources and expertise. The vital biodiversity offset areas for the Dubbo Project include grassy white box woodlands, Wiradjuri cultural heritage sites and habitats for the Pink-tailed Worm-lizard, a vulnerable local species for which Alkane is taking a leading role in conservation.

Alkane aims to leave a positive legacy for local communities and the land alike that long outlasts the life of our activities in the region. This integrated approach to farming and conservation ensures effective and efficient land management, and provides the foundation for a positive triple bottom line outcome – social, environmental and financial.

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. At financial year end the Group had 200 personnel on the payroll, with 17% being female. Achieving a good gender balance in such an historically male-dominated industry is a challenge essential to maintaining a culture of equal opportunity.

COMMUNITY ENGAGEMENT AND SUPPORT

Alkane is an active and engaged member of the communities in which it operates – in particular the Narromine Shire, Parkes Shire and Dubbo Regional Council local government areas in Central Western NSW. The Company's goal is to support the development of more resilient regional communities through the establishment of permanent infrastructure (such as a long-term water supply options project), sponsorship of local events and organisations, provision of training and career opportunities to local students and residents, and the creation of local economic opportunities for service providers. Alkane aims to leave a positive legacy that will long outlive the duration of mining operations.

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 seeks to ensure community members can easily engage with Alkane representatives from the inception of projects through to completion, and participates regularly at regional events to discuss the Group's projects. Alkane also sometimes hosts mining industry-related educational groups wishing to tour project sites.

WORK HEALTH AND SAFETY REVIEW

In keeping with its reputation for integrity and responsible behaviour, Alkane complies with all laws and regulations in relation to the environment and work health and safety (WHS). The Company strives for continuous improvement of its standards for TGO, the Peak Hill Gold Mine decommissioning and closure, and for ongoing exploration and mine development.

RISK MANAGEMENT

Alkane is committed to the active management of risks to its operations and has a Risk Management Committee composed of directors and management to assist the Managing Director to identify, assess, monitor and manage the Company's risks. The Company's Risk Management Coordinator 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.

TGO continues to monitor and audit critical controls as part of its ongoing risk management process. A specialised software package assists with the management of the complexities for the high level risks. Over the next twelve months, ASM and Outotec will conduct construction risk assessments during the engineering redesign of the Dubbo Project.

WORK HEALTH AND SAFETY

Alkane's personnel are distributed across several office locations and operations across Central Western NSW (Orange, Dubbo, Peak Hill and Tomingley), Sydney and Perth. The largest concentration of employees is at TGO, located south-west of Dubbo.

The TGO Mine Safety Management and Operations Management systems are in place, with both subjected to a rigorous auditing and inspection regime to ensure their integrity. A thorough employee safety induction program is used to on-board all employees and contractors at the TGO site to ensure safe operations at all times.

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 TGO. Alkane also maintains exploration offices in Dubbo and Orange to service the Group's other tenements in Central Western NSW.

During the reporting period, three injuries resulting in lost time occurred at TGO; two injuries also required restricted work, as well as two injuries requiring minor medical treatment. TGO has a total recordable injury frequency rate (TRIFR) of 2.37 per 200,000 hours worked, and a TRIFR of 11.85 per 1,000,000 hours worked, which is well below the metals and extractives industry average of 23.86 for the 2017 financial year.

TGO reported the following incidents to the NSW Environment Protection Authority (EPA) during the reporting period:

- Two dust exceedances – Record hot weather in February 2017 resulted in elevated dust levels across NSW, according to many of the EPA's PM10 monitoring stations. Tomingley Gold Operations did everything that was reasonably practical to minimise dust generation from the mine site in accordance with the Dust Control Procedure.
- Two noise exceedances – The first occurred during a significant flood event in October 2016 when the Newell Highway was closed and the other in April 2017 due to meteorological enhancing conditions as the cooler months started.


Tomingley
WELCOME


DT08
CATERPILLAR
DT08
DT08

Your Directors present their report on the Consolidated Entity consisting of Alkane Resources Ltd ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2017. Throughout the report, the Consolidated Entity is also 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

As of 1 September 2017, Chairman J S F Dunlop will retire and D I Chalmers will step down as Managing Director. Mr Chalmers will continue on the Board as Technical Director. Director I J Gandel will assume the role of Non-Executive Chairman and Chief Operations Officer Nic Earner will assume the role of Managing Director.

The Board continues its efforts to seek to appoint additional independent members who will bring complimentary skill sets and diversity to the Group's leadership.

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 46 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 a Board member and past Chairman of MICA (Mineral Industry Consultants Association).

Mr Dunlop was Non-Executive Chairman of Alliance Resources Ltd (30 November 1994 - 31 May 2016). He has also been a Non-Executive Director of Copper Strike Ltd (9 November 2009 - 6 June 2014) and a Director of Gippsland Ltd (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 45 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 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 is 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) and in June 2016 was appointed Non-Executive Chairman of that company. He is also Non-Executive chairman of Octagonal Resources Ltd (appointed 10 November 2010)(this company sought delisting from the ASX in February 2016 and converted to Pty Ltd status in April 2016) and has been a Director and Non-Executive Chairman of Gippsland Ltd (24 June 2009 - 14 April 2015).

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. Subsequently, Mr Lethlean worked as a resources analyst with various stockbrokers including formerly as a principal of Helmsec Global Capital Ltd. Mr Lethlean is a Non-Executive Director of Alliance Resources Ltd (appointed 15 October 2003).

Mr Lethlean is senior independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

COMPANY SECRETARY

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 29 years, primarily in the mineral exploration industry.

DIVIDENDS - ALKANE RESOURCES LTD

No dividends have been paid by the Company during the financial year ended 30 June 2017 nor have the Directors recommended that any dividends be paid (2016: nil).

REVIEW OF OPERATIONS

The Group continues to be actively involved in mineral exploration and evaluation, development and extraction with a regional focus in the central west of New South Wales. Exploration and evaluation activities continue on tenements held by the Group, mining operations continue at the Tomingley Gold Operation and evaluation activities continue in relation to the Dubbo Project.

RESULT FOR THE YEAR

The Group's net loss for the period after tax was $28,937,000 (30 June 2016: net profit $4,695,000). The net loss included impairment charges of $39,975,000 for the gold cash generating unit for the year ended 30 June 2017 (refer to note 9 for details). The result includes a profit before tax and non-recurring items of $17,129,000 in relation to the Tomingley Gold Operations (30 June 2016: $14,304,000)

TOMINGLEY GOLD OPERATIONS

The gold operations at Tomingley are located approximately 50 kilometres south-west of Dubbo in the Central West of NSW. The operations are based on four gold deposits. Wyoming One, Wyoming Three (mining completed), Caloma One (mining completed August 2017) and Caloma Two.

Mining occurred in three pits during the year, Caloma One, Caloma Two and Wyoming One. Persistent heavy rain during the first half of the year (656mm v long term average 223mm) dramatically impacted production by delaying ore releases, particularly at the base of the Wyoming One starter pit, and impacting mining fleet productivity during weather events and in the recovery afterwards. Material movements, and as a result production, were well below plan with production of 22,191 ounces and all in sustaining cost (AISC) well above plan at $1,959 per ounce for the first half of the year.

The operation recovered strongly in the second half as weather improved. Utilisation of a third digging fleet was extended through the second half of the year to reduce the waste movement deficiency from the first half. Average grade mined increased from 1.43g/t to 2.59g/t as a result of mining ore from the higher grade Caloma Two pit and accessing higher grade zones in the Caloma One pit. As a result, production and AISC for the second half of the year were significantly improved at 46,645 ounces at $1,038 per ounce.

Total material movements for the period of 8,140,469 bcm comprised 7,679,110 bcm of waste and 461,359 bcm of ore, with 4,606,789 bcm being extracted in the second half. The average stripping ratio of 16.6 represented an increase from the corresponding period reflecting the removal of overburden in the Wyoming One and Caloma Two pits, and will reduce significantly in the 2018 financial year.

REVIEW OF OPERATIONS (continued)

TOMINGLEY GOLD OPERATIONS (continued)

Milling for the period was in line with design capacity at 1,087,983 tonnes. Gold recovery increased from 90.9% to 91.5% in line with expectations as increased oxide ore was available for processing from the Wyoming One and Caloma Two pits.

Production for the year exceeded the upgraded market guidance on 27 June 2017 at 68,836 ounces, with all in sustaining cost (AISC) within guidance at $1,335 per ounce.

The average sales price achieved for the period of $1,678 per ounce represented an increase of $73 per ounce from the prior year. Gold sales of 69,929 ounces resulted in sales revenue of $117,338,000, an increase of $8,204,000 (8%) from the prior period.

Cash flows from Tomingley underpinned the Group's strong operating cash inflow of $54,748,000, an increase of $17,262,000 (46%) from the prior year. Investing outflows (which also include exploration and evaluation outflows) were in line with the prior year at $40,689,000.

The table below summarises the key operational information.

TGO PRODUCTION		SEPT QUARTER 2016	DEC QUARTER 2016	MAR QUARTER 2017	JUN QUARTER 2017	FY 2017	FY 2016
Waste mined	BCM's	1,533,279	1,799,904	2,165,717	2,180,211	7,679,110	6,199,820
Ore mined	BCM's	83,356	117,141	94,079	166,782	461,359	507,140
Ore mined	Tonnes	221,139	318,216	249,109	434,404	1,222,868	1,285,454
Stripping Ratio	Ratio	18.4	15.4	23.0	13.1	16.6	12.2
Grade mined (2)	g/t	1.51	1.39	2.42	2.69	2.08	1.84
Ore milled	Tonnes	231,797	279,338	281,654	295,194	1,087,983	1,096,105
Head grade	g/t	1.50	1.48	2.36	3.10	2.15	2.08
Gold recovery	%	90.1	90.4	91.1	92.8	91.5	90.9
Gold poured (3)	Ounces	10,435	11,756	18,721	27,924	68,836	67,812
Revenue Summary							
Gold sold	Ounces	10,000	12,519	16,303	31,107	69,929	67,983
Average price realised	A$/Oz	1,627	1,666	1,694	1,690	1,678	1,605
Gold revenue	A$000's	16,273	20,859	27,623	52,582	117,338	109,134
Cost Summary							
Mining	A$/Oz	1,188	1,029	721	485	748	736
Processing	A$/Oz	505	450	269	168	295	292
Site support	A$/Oz	148	118	80	49	84	96
C1 Cash Cost	A$/Oz	**1,841**	**1,597**	**1,070**	**702**	**1,127**	**1,124**
Royalties	A$/Oz	35	40	51	57	49	46
Sustaining capital	A$/Oz	130	37	8	46	47	31
Rehabilitation	A$/Oz	68	72	73	71	71	18
Corporate	A$/Oz	65	57	34	29	41	37
All-in Sustaining Cost (1)	A$/Oz	**2,139**	**1,803**	**1,236**	**905**	**1,335**	**1,256**
Bullion on hand	Ounces	3,368	2,572	4,986	1,814	1,814	2,971
Stockpiles							
Ore for immediate milling	Tonnes	661,645	709,148	620,271	761,829	761,829	701,047
Grade(2)	g/t	0.80	0.79	0.75	0.95	0.95	0.82
Contained gold	Ounces	17,201	18,195	15,126	23,300	23,300	18,480

(1) All in Sustaining Cost (AISC) comprises all site operating costs, royalties, mine exploration, sustaining capex, mine development and an allocation of corporate costs on the basis of ounces produced. AISC does not include share based payments or net realisable value provision for product inventory.

(2) Based on the resource models.

(3) Represents gold poured at site, not adjusted for refining adjustments which results in minor differences between the movements in bullion on hand and the difference between production and sales.

REVIEW OF OPERATIONS (continued)

TOMINGLEY GOLD OPERATIONS (continued)

Guidance for financial year 2018 provides for expected production of 65,000 to 70,000 ounces and AISC expected to be within the range of $1,100 to $1,200 per ounce.

Ore will mainly be sourced from the Wyoming One and Caloma Two pits, with mining finishing in the Caloma One pit in August 2017. The current life of mine plan sees the open cut pits finishing in the September quarter of financial year 2019. A small cut back of the Caloma One pit to the north east utilising smaller equipment has been designed and whilst not scheduled is an option for Tomingley should the economics allow it in the future. Low grade stockpiles of approximately 612,000 tonnes are also available for milling, but are at present not scheduled until the potential underground material is available to be blended with it.

A significant drilling program continues targeting strike extensions and in-fill areas for the potential underground operation below the Wyoming One pit with the aim of lifting the gold ounces per vertical metre in any future designs. The program is expected to be completed around October 2017, at which time the geological models will be updated and a mine plan evaluated for development. A regional air core drilling program commenced during the year on tenements proximate to the Tomingley mining lease for potential open pit or underground ore to be processed at the Tomingley plant. The program is ongoing.

DUBBO PROJECT

Alkane Resources Ltd's subsidiary, Australian Strategic Materials Ltd (ASM) changed its name from Australian Zirconia Ltd in December 2016. The project name has been modified to the Dubbo Project.

The project is proceeding towards development as 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 earth elements, located at Toongi, 30 kilometres south of the large regional centre of Dubbo in the Central West of NSW. The Dubbo Project is a unique, long-life asset with a potential mine life of 70 plus years. Unlike many projects of this kind, it is a polymetallic deposit providing potential revenue from multiple product streams.

The Dubbo Project remains ready for construction, subject to financing, with the mineral deposit and surrounding land wholly owned, all State and Federal approvals in place, an established flowsheet and a solid business case. Efforts during the period focussed on product development and marketing with potential customers to confirm the suitability of the product suite for their needs. High purity samples of zirconia and hafnia (hafnium oxide) produced from the demonstration pilot plant were dispatched to customers as a condition precedent to further discussions with these customers for the purchase of ASM's future products.

During the year the Group announced the results of its modularisation concept study. As well as reducing up front capital requirements, the modularisation concept is expected to provide greater construction flexibility by staging the overall build of the project whilst preserving the project economics. ASM has engaged Outotec to refine the existing engineering and design to provide bankable level costing for the processing section of the project using the modularised build philosophy (ASX announcement 28 October 2016). This comprehensive task should allow ASM to quickly commence the construction phase following financing. Results of the work with Outotec are expected in the last quarter of 2017 calendar year.

Due diligence of Vietnam Rare Earth JSC, the owner of a rare earth separation facility, continued during the year. As part of the extended due diligence, an initial twelve month toll treatment agreement was executed in June 2017 and two shipments of light rare earth concentrates acquired on market totalling 80 tonnes were processed producing approximately 31 tonnes of separated rare earth oxides including cerium, lanthanum, praseodymium and neodymium oxides.

Minchem Ltd, ASM's sales and marketing agent for zirconium products to be produced from the Dubbo Project, has secured six non-binding letters of intent for the supply of zirconium chemicals th, at would account for about 60% of the stage 1 development of the 8,150 tpa of zirconia (ZrO_2) equivalent products, supporting about 15% of the anticipated project revenues. Further zirconium chemicals letters of intent are expected in coming months.

Development of value added zirconium and hafnium chemicals, oxides and metals continued during the year with a focus on producing high purity chemical precursors.

Significant price increases have occurred to date in 2017 for zirconium and magnet related rare earths (praseodymium and neodymium). Zirconium oxychloride (ZOC) prices have increased by circa 40% during the year resulting in the highest prices for four to five years. ZOC is the key indicator of the zirconium chemical industry. The increase was due to a combination of increased raw material prices, stricter enforcement of and increased focus on compliance with environmental laws and the imposition of additional regulation by Chinese authorities.

An approximate 25% increase in prices in 2017 for the key magnet rare earths, praseodymium and neodymium, has taken prices to the highest levels in two years. Further price increases are expected on the back of strong demand, with little or no increase in supply expected in the near term. Increased efforts by Chinese government authorities conducting environmental compliance inspections and audits is also likely to impact the level of illegal production, further reducing supply. Growth in demand for high performance rare earth permanent magnets is occurring due to clean energy and transport policies and initiatives by governments worldwide to meet national and international targets for reduced emissions. The rapid growth in demand for electric vehicles is attracting significant media attention worldwide, but there is equally strong demand for other applications for magnets including wind power and industrial robots. Some forward buying and stock building is also being reported for magnet rare earths, as well as producers withholding supply for higher prices.

REVIEW OF OPERATIONS (continued)

DUBBO PROJECT (continued)

ASM continues to work with its financial advisors, Sumitomo Mitsui Banking Corporation, to pursue the funding strategy for the project. The changing market dynamics and improved pricing for key products is expected to assist in discussions with customers to secure long term product offtake and investment in the project. The ability of the Dubbo Project to provide long term sustainable security of supply of a diverse range of over 15 critical metals and oxides is one of the strong themes which is being increasingly recognised both in Australia and overseas.

EXPLORATION

The Company maintained a focussed multi commodity exploration program in the Central West of NSW. After the persistent rain events in the first half of the year limiting ground access, an extensive reconnaissance aircore drilling program commenced to test the prospective rock sequence between Tomingley and the Peak Hill gold mine 15km to the south of Tomingley. Over 20,000 metres has been completed and several zones of gold mineralisation defined. Two diamond cores totalling 791 metres tested two target areas to provide detailed geological information for 3D interpretation.

At the Northern Molong Porphyry Project (NMPP), which covers an area of 110 km^2 located approximately 20 km north of Wellington in the central west of NSW and encompasses three exploration licences; Bodangora, Kaiser and Finns Crossing two core holes tested the down dip extension of the thick low grade gold-copper mineralisation in the Kaiser-Boda areas. The project covers a large portion of the northern Molong Volcanic Belt (MVB) which is host to a number of mineral deposits exemplified by the world class alkalic porphyry deposits within the Cadia Valley Operations of Newcrest Mining Ltd.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The financial position and performance of the Group has been impacted by the following specific events or transactions during the year ended 30 June 2017 when compared to the year ended 30 June 2016:

- An impairment expense of $39,975,000 was recorded during the year as a result of significant and prolonged impact that weather has had on operations and performance of the Tomingley Gold Operations and due to revisions to the life of mine plan. Refer note 9 for details; and
- Strong operating cash flows from the Tomingley Gold Operation has led to an increase in the closing cash balance by $17,514,000 to $41,969,000.

For a detailed discussion about the Group's performance please refer to the Review of Operations.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected the Group's operations, results or state of affairs, or 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 evaluation activities in relation to the Dubbo Project in line with details provided in the Review of Operations. Efforts at the Tomingley Gold Operation continue to be focussed on optimising 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 and evaluation, development and mining activities.

The Group aspires to the highest standards of environmental management and insists its staff and contractors maintain that standard. A significant environmental incident is considered to be one that causes a major impact or impacts to land biodiversity, ecosystem services, water resources or air, with effects lasting greater than one year. There were no significant environmental incidents reported at any of the Group's operations.

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 2017, 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	15	17	4	4	3	3	5	5
D I Chalmers	17	17	*	*	3	3	*	*
I J Gandel	17	17	4	4	3	3	5	5
A D Lethlean	17	17	4	4	3	3	5	5

* 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 Director 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) Statutory performance indicators
(f) Non-Executive Director remuneration policy
(g) Voting and comments made at the Company's 2016 Annual General Meeting
(h) Details of remuneration
(i) Service agreements
(j) Details of share-based payments and performance against key metrics
(k) Shareholdings and share rights 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
N Earner	Chief Operations Officer
M Ball	Chief Financial Officer
A MacDonald	General Manager - Marketing (appointed 1 February 2017)
K E Brown	Company Secretary

There have been no changes to Directors or Key Management Personnel since the end of the reporting period. Refer to the Directors Report for upcoming changes to the Board composition.

(b) REMUNERATION GOVERNANCE

The Company has established a Remuneration Committee to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations to the Board on:

- the overall remuneration strategy and framework for the Company;
- the operation of the incentive plans which apply to the Executive team, including the appropriateness of key performance indicators and performance hurdles; and
- the assessment of performance of and remuneration of the Executive director, Non-Executive Directors and other Key Management Personnel.

REMUNERATION REPORT (continued)

The Remuneration Committee is a Committee of the Board and at the date of this report the members were independent Non-Executive Directors J S F Dunlop, A D Lethlean and I J Gandel.

Their objective is to ensure that remuneration policies and structures are fair, competitive and aligned with the long-term interests of the Company and its shareholders.

The Company's annual Corporate Governance Statement provides further information on the role of this Committee.

(c) USE OF REMUNERATION CONSULTANTS

No remuneration consultants were engaged in the financial year to provide remuneration advice.

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

In determining Executive remuneration, the Board (or the Remuneration Committee as its delegate) 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

The Company has in place Executive incentive programs which provide the mechanism to place a material portion of Executive pay "at risk". No new short term or long term incentives were issued to Executives during the year.

(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, to reflect market practice, to 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.

The Company has used both performance rights and share appreciation rights as the mechanisms for Executive incentives. The performance rights plan was approved by shareholders at the 2016 Annual General Meeting and the share appreciation rights plan was approved by shareholders at the 2014 Annual General Meeting.

REMUNERATION REPORT (continued)

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK (continued)

(iii) Incentive arrangements (continued)

Long-term incentives

The LTI is designed to focus Executives on delivering long term shareholder returns. Eligibility for 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 (calculated at the time of approval by the Remuneration Committee) comprised of part performance rights and part share appreciation rights, provided that predefined targets are met over a three year performance 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 LTI vesting period is three years.

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 prior to 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 receive 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 Dubbo Project and the impact that the successful development is expected to have on the market value of the Group; and
- the absence of a sufficient number of comparable companies to benchmark against.

Targets are generally reviewed annually and set for a forward three year period. Targets reflect factors such as the expectations of the Group's business plans, the stage of development of the Group'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.

Vesting of the rights is subject to the Group's TSR, including share price growth, dividends and capital returns, exceeding certain growth hurdles over a three-year period.

The Remuneration Committee is responsible for determining the LTI to vest 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 LTI's downwards in light of unexpected or unintended circumstances.

(iv) Clawback policy for incentives

Under the terms and conditions of the Company's incentive plan offer and the plan rules, the Board (or the Remuneration Committee as its delegate) 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 Board (or the Remuneration Committee as its delegate).

(v) Share trading policy

The trading of shares issued to participants under any of the Company's employee share 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.

REMUNERATION REPORT (continued)

(e) STATUTORY PERFORMANCE INDICATORS

The Company aims to align Executive remuneration to the Company's strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last 5 years as required by the Corporations Act 2001. However, these are not necessarily consistent with the specific measures in determining the variable amounts of remuneration to be awarded to Key Management Personnel. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration rewarded.

	30 JUNE 2017	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013[(1)]
Revenue ($'000)	**117,792**	109,624	102,467	25,264	1,370
Profit/(loss) for the year attributable to owners ($'000)	**(28,937)**	4,695	(4,086)	(6,170)	(66,418)
Basic earnings/(loss) per share (cents)	**(5.8)**	1.1	(1.0)	(1.7)	(17.8)
Dividends payments ($'000)	**-**	-	-	-	-
Share price at period end ($)	**0.24**	0.20	0.28	0.27	0.31
Total KMP incentives vested as a percentage of profit/(loss) for the year %	**0.3%**	3.0%	0.0%	0.0%	0.1%

(1) Six month period

(f) 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 are inclusive of superannuation and 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 for Non-Executive Directors have not changed since 1 January 2013.

The maximum annual aggregate Directors' fee pool limit (inclusive of applicable superannuation) 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 2017 are as follows:

	$ 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 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.

(g) VOTING AND COMMENTS MADE AT THE COMPANY'S 2016 ANNUAL GENERAL MEETING

The Company received more than 91% of "yes" votes on its remuneration report for the last financial period ended 30 June 2016. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

REMUNERATION REPORT (continued)

(h) DETAILS OF REMUNERATION

The following table shows details of the remuneration expense recognised for the Directors and the Key Management Personnel of the Group for the current and previous financial year measured in accordance with the requirements of the accounting standards.

30 JUNE 2017	FIXED REMUNERATION				VARIABLE REMUNERATION	TOTAL
	CASH SALARY[(1)]	NON MONETARY BENEFITS[(1)]	ANNUAL AND LONG SERVICE LEAVE[(2)]	POST-EMPLOYMENT BENEFITS[(3)]	RIGHTS TO DEFERRED SHARES[(4)]	
	$	$	$	$	$	$
Executive Director						
D I Chalmers	**360,000**	**36,296**	**14,571**	**34,200**	**117,141**	**562,208**
Other KMP						
N Earner	**397,213**	**-**	**14,145**	**36,407**	**128,856**	**576,621**
M Ball	**347,782**	**-**	**13,501**	**29,985**	**101,523**	**492,791**
A MacDonald	**150,000**	**-**	**383**	**13,854**	**-**	**164,237**
K E Brown[(5)]	**210,000**	**-**	**-**	**-**	**-**	**210,000**
Total Executive Director and other KMP	**1,464,995**	**36,296**	**42,600**	**114,446**	**347,520**	**2,005,857**
Total NED remuneration[(6)]	**283,106**	**-**	**-**	**26,894**	**-**	**310,000**
Total KMP remuneration expense	**1,748,101**	**36,296**	**42,600**	**141,340**	**347,520**	**2,315,857**

30 JUNE 2016	FIXED REMUNERATION				VARIABLE REMUNERATION	TOTAL
	CASH SALARY[(1)]	NON MONETARY BENEFITS[(1)]	ANNUAL AND LONG SERVICE LEAVE[(2)]	POST-EMPLOYMENT BENEFITS[(3)]	RIGHTS TO DEFERRED SHARES[(4)]	
	$	$	$	$	$	$
Executive Director						
D I Chalmers	360,000	25,643	7,939	34,200	153,381	581,163
Other Key Management Personnel						
N Earner	396,000	-	2,321	37,620	168,719	604,660
M Ball	337,177	-	2,438	29,640	132,930	502,185
K E Brown[(5)]	302,229	-	-	-	-	302,229
Total Executive Director and other KMP	1,395,406	25,643	12,698	101,460	455,030	1,990,237
Total NED remuneration[(6)]	283,106	-	-	26,894	-	310,000
Total KMP remuneration expense	1,678,512	25,643	12,698	128,354	455,030	2,300,237

(1) Short-term benefits as per *Corporations Regulation 2M.3.03(1) Item 6.*

(2) Other long-term benefits as per *Corporations Regulation 2M.3.03(1) Item 8.*

(3) Post employment benefits are provided through superannuation contributions.

(4) Rights to deferred shares granted under the executive STI and LTI schemes are expensed over the performance period, which includes the year to which the incentive relates and the subsequent vesting period of the rights. Rights to deferred shares are equity-settled share based-payments as per the *Corporations Regulation 2M.3.03(1) Item11*. These include negative amounts for rights forfeited during the year. Details of each grant of share right was provided in the table in section (j). Shareholder approval was received in advance to the grant of share rights where required.

(5) Corporate administration and company secretarial fees paid to Mineral Administration Services Pty Ltd, a -Company associated with Ms Brown.

(6) Refer below for details of Non-Executive Directors (NED) remuneration.

REMUNERATION REPORT (continued)

(h) DETAILS OF REMUNERATION (continued)

	CASH SALARY AND FEES $	SUPERANNUATION $	TOTAL $
30 JUNE 2017			
Non-Executive Directors			
J S F Dunlop	**125,571**	**11,929**	**137,500**
I J Gandel	**77,626**	**7,374**	**85,000**
A D Lethlean	**79,909**	**7,591**	**87,500**
Total Non-Executive Directors	**283,106**	**26,894**	**310,000**
30 JUNE 2016			
Non-Executive Directors			
J S F Dunlop	125,571	11,929	137,500
I J Gandel	77,626	7,374	85,000
A D Lethlean	79,909	7,591	87,500
Total Non-Executive Directors	283,106	26,894	310,000

The relative proportions of remuneration expense recognised during the year that are linked to performance and those that are fixed are as follows:

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	2017 %	2016 %	2017 %	2016 %	2017 %	2016 %
Executive Director of Alkane Resources Ltd						
I Chalmers	**79**	74	**-**	8	**21**	18
Other Key Management Personnel						
N Earner	**78**	72	**-**	9	**22**	19
M Ball	**79**	74	**-**	8	**21**	18
A MacDonald	**100**	-	**-**	-	**-**	-

Company Secretary K E Brown, is not an employee of the Company and therefore is not eligible to participate in incentive programs. Instead a fixed fee for services rendered is paid as set out previously.

A MacDonald commenced employment on 1 February 2017 and is not yet a participant in the Group's incentive plans.

(i) 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	Commencing 1 July 2016 - renewable annually	$394,200	By mutual agreement
N Earner - Chief Operations Officer	On-going commencing 2 September 2013	$433,620	2 months
M Ball - Chief Financial Officer	On-going commencing 29 October 2012	$377,767	2 months
A MacDonald - General Manager - Marketing	On-going commencing 1 February 2017	$394,200	6 months
K E Brown - Company Secretary	Commencing 1 July 2016 - renewable annually	$210,000	12 months maximum(3)

(1) Total Fixed Remuneration (TFR) is for the year ended 30 June 2017 and is inclusive of superannuation but does not include long service leave accruals. K E Brown is not an employee of the company, therefore superannuation is not required to be paid on her earnings. TFR is reviewed annually by the Remuneration Committee. D I Chalmers' contract includes motor vehicle expenses up to value of $36,000 plus applicable taxes in addition to the figure in the table above.

(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's contract was terminated and a termination benefit of longer than twelve months was agreed, shareholder approval would be required.

(3) Termination by mutual agreement.

REMUNERATION REPORT (continued)

(j) DETAILS OF SHARE BASED PAYMENTS AND PERFORMANCE AGAINST KEY METRICS

Details of each grant of share rights affecting remuneration in the current or a future reporting period are set out below.

NAME	DATE OF GRANT	NUMBER OF RIGHTS GRANTED	FAIR VALUE OF SHARE RIGHTS AT DATE OF GRANT $	NUMBER OF SHARE RIGHTS AT FAIR VALUE $	PERFORMANCE PERIOD END	SHARE BASED PAYMENT EXPENSE CURRENT YEAR $
Executive Director						
I Chalmers						
FY2015 LTI - Performance Rights	5/12/2014	666,667	0.21	140,000	30/06/2017	18,666
FY2015 LTI - Share Appreciation Rights	5/12/2014	1,800,000	0.07	126,000	30/06/2017	42,000
FY2016 LTI - Performance Rights	18/11/2015	562,500	0.25	140,625	30/06/2018	(11,025)
FY2016 LTI - Share Appreciation Rights	18/11/2015	2,250,000	0.09	202,500	30/06/2018	67,500
Other Key Management Personnel						
N Earner						
FY2015 LTI - Performance Rights	5/12/2014	733,333	0.21	154,000	30/06/2017	20,534
FY2015 LTI - Share Appreciation Rights	5/12/2014	1,980,000	0.07	138,600	30/06/2017	46,200
FY2016 LTI - Performance Rights	18/11/2015	618,750	0.25	154,688	30/06/2018	(12,128)
FY2016 LTI - Share Appreciation Rights	18/11/2015	2,475,000	0.09	222,750	30/06/2018	74,250
M Ball						
FY2015 LTI - Performance Rights	5/12/2014	577,777	0.21	121,333	30/06/2017	16,177
FY2015 LTI - Share Appreciation Rights	5/12/2014	1,560,000	0.07	109,200	30/06/2017	36,400
FY2016 LTI - Performance Rights	18/11/2015	487,500	0.25	121,875	30/06/2018	(9,554)
FY2016 LTI - Share Appreciation Rights	18/11/2015	1,950,000	0.09	175,500	30/06/2018	58,500

(1) The value at grant date for share rights granted during the year as part of remuneration is calculated in accordance with AASB 2 Share Based Payments. Differences will arise between the number of share rights at fair value in the table above and the STI and LTI percentages mentioned in section (d) due to different timing of valuation of rights as approved by the Remuneration Committee and at grant. Refer to note 19 for details of the valuation techniques used for the rights plan.

(2) Share rights only vest if performance and service targets are achieved. The determination is usually made at the conclusion of the statutory audit.

The number and percentage of share rights that vested and the number and percentage of share rights that were forfeited relating to a performance period which ended during the current financial year are set out below:

NAME	VESTING DATE	NUMBER OF RIGHTS GRANTED	% OF SHARE RIGHTS VESTED	NUMBER OF SHARE RIGHTS VESTED	% OF SHARE RIGHTS FORFEITED	NUMBER OF SHARE RIGHTS FORFEITED
Executive Director						
I Chalmers						
FY2015 LTI - Performance Rights	23/08/2017	666,667	20%	133,333	80%	533,334
FY2015 LTI - Share Appreciation Rights	23/08/2017	1,800,000	0%	-	100%	1,800,000
Other Key Management Personnel						
N Earner						
FY2015 LTI - Performance Rights	23/08/2017	733,333	20%	146,666	80%	586,667
FY2015 LTI - Share Appreciation Rights	23/08/2017	1,980,000	0%	-	100%	1,980,000
M Ball						
FY2015 LTI - Performance Rights	23/08/2017	577,777	20%	115,555	80%	462,222
FY2015 LTI - Share Appreciation Rights	23/08/2017	1,560,000	0%	-	100%	1,560,000

REMUNERATION REPORT (continued)

(j) DETAILS OF SHARE BASED PAYMENTS AND PERFORMANCE AGAINST KEY METRICS (continued)

The determination of the number of rights that are to vest or be forfeited is made by the Remuneration Committee after the statutory audit has been substantially completed. As such, the actual determination was made after the balance date however details have been included in the current Remuneration Report as the relevant performance period concluded at the end of the current financial year.

Performance against key metrics

No short term incentives were issued to Executives during the year.

The vesting period for the FY2015 LTI ended at 30 June 2017. The LTI consisted of performance rights, being the reward vehicle for targets that are milestone based, and share appreciation rights, being the reward vehicle for shareholder return based targets with the number of shares to be issued upon vesting being impacted by the quantum of shareholder value created.

The table below provides details of the actual performance against the LTI performance metrics.

LTI REWARD VEHICLE	PERFORMANCE METRICS	WEIGHTING	VESTED	OUTCOME
Performance Rights	Progress of evaluation and development of Dubbo Project towards production	40%	0%	Performance threshold not met
	Mining costs per bcm achieved >15% below contract mining rates or comparable size operations	10%	10%	Performance threshold exceeded
Share Appreciation Rights	Absolute total shareholder return (TSR)	50%	0%	TSR threshold not met

Vesting of the share appreciation rights was subject to the Company's TSR, including share price growth, dividends and capital returns, exceeding certain growth hurdles over the three year performance 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%

(k) SHAREHOLDINGS AND SHARE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL

The number of shares in the Company and share rights for ordinary shares in the Company held by each Director and Key Management Personnel are set out below.

Share holdings	NUMBER OF ORDINARY SHARES			
	BALANCE AT 1 JULY 2016	PURCHASED / (SOLD)	RECEIVED ON VESTING OF SHARE RIGHTS(1)	BALANCE AT 30 JUNE 2017
30 JUNE 2017				
Directors of Alkane Resources Ltd				
J S F Dunlop	1,123,200	-	-	**1,123,200**
A D Lethlean	520,076	-	-	**520,076**
D I Chalmers	2,827,542	-	191,249	**3,018,791**
I J Gandel	109,869,451	-	-	**109,869,451**
Other Key Management Personnel				
K E Brown	854,992	-	-	**854,992**
N Earner	-	-	210,375	**210,375**
M Ball	-	-	165,750	**165,750**
A MacDonald (2)	500,000	-	-	**500,000**

(1) Does not include rights that vested post balance date. Refer to section (j) of the Remuneration Report for details.

(2) A MacDonald was appointed General Manager - Marketing 1 February 2017 however purchased the shares prior to 1 July 2016

REMUNERATION REPORT (continued)

(k) SHAREHOLDINGS AND SHARE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL (continued)

Share holdings (continued)	NUMBER OF ORDINARY SHARES			
	BALANCE AT 1 JULY 2015	PURCHASED / (SOLD)	RECEIVED ON VESTING OF SHARE RIGHTS	BALANCE AT 30 JUNE 2016
30 JUNE 2016				
Directors of Alkane Resources Ltd				
J S F Dunlop	936,000	187,200	-	1,123,200
A D Lethlean	433,396	86,680	-	520,076
D I Chalmers	2,356,284	471,258	-	2,827,542
I J Gandel	91,557,875	18,311,576	-	109,869,451
Other Key Management Personnel				
K E Brown	712,492	142,500	-	854,992

Share rights	BALANCE AT 1 JULY 2016 UNVESTED	RIGHTS GRANTED	RIGHTS VESTED	RIGHTS LAPSED	BALANCE AT 30 JUNE 2017 UNVESTED
Executive Director					
D I Chalmers					
Performance Rights	1,229,167	-	(133,333)	(533,334)	**562,500**
Share Appreciation Rights	4,050,000	-	-	(1,800,000)	**2,250,000**
Other Key Management Personnel					
N Earner					
Performance Rights	1,352,083	-	(146,666)	(586,667)	**618,750**
Share Appreciation Rights	4,455,000	-	-	(1,980,000)	**2,475,000**
M Ball					
Performance Rights	1,065,277	-	(115,555)	(462,222)	**487,500**
Share Appreciation Rights	3,510,000	-	-	(1,560,000)	**1,950,000**
Total Performance Rights	3,646,527	-	(395,554)	(1,582,223)	**1,668,750**
Total Share Appreciation Rights	12,015,000	-	-	(5,340,000)	**6,675,000**

	BALANCE AT 1 JULY 2015 UNVESTED	RIGHTS GRANTED	RIGHTS VESTED	RIGHTS LAPSED	BALANCE AT 30 JUNE 2016 UNVESTED
Executive Directors					
D I Chalmers					
Performance Rights	666,667	843,749	(191,249)	(90,000)	1,229,167
Share Appreciation Rights	1,800,000	2,250,000	-	-	4,050,000
Other Key Management Personnel					
N Earner					
Performance Rights	733,333	928,125	(210,375)	(99,000)	1,352,083
Share Appreciation Rights	1,980,000	2,475,000	-	-	4,455,000
M Ball					
Performance Rights	577,777	731,250	(165,750)	(78,000)	1,065,277
Share Appreciation Rights	1,560,000	1,950,000	-	-	3,510,000
Total Performance Rights	1,977,777	2,503,124	(567,374)	(267,000)	3,646,527
Total Share Appreciation Rights	5,340,000	6,675,000	-	-	12,015,000

REMUNERATION REPORT (continued)

(k) SHAREHOLDINGS AND SHARE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL (continued)

The determination of the number of rights that are to vest or be forfeited is made by the Remuneration Committee after the statutory audit has been substantially completed. As such, the actual determination was made after the balance date however details have been included in the current Remuneration Report as the relevant performance period is the current financial year.

The information in this section has been audited with the rest of the remuneration report.

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 42.

ROUNDING OF AMOUNTS

The company has relied on the relief provided by the 'ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191', 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
29 August 2017

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Alkane Resources Limited for the year ended 30 June 2017, 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
29 August 2017

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Financial statements

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	YEAR ENDED 30 JUNE 2017 $'000	30 JUNE 2016 $'000
Continuing operations			
Revenue	2	**117,792**	109,624
Cost of sales	3	**(99,338)**	(95,351)
Gross profit		**18,454**	14,273
Other net income	4	**539**	975
Expenses			
Other expenses	3	**(51,526)**	(8,149)
Finance charges		**(1,035)**	(436)
Total expenses		**(52,561)**	(8,585)
(Loss)/Profit before income tax		**(33,568)**	6,663
Income tax benefit/(expense)	5	**4,631**	(1,968)
(Loss)/Profit for the period after income tax	8(c)	**(28,937)**	4,695
Total comprehensive (loss)/profit for the period		**(28,937)**	4,695
Total comprehensive (loss)/profit for the period is attributable to:			
Owners of Alkane Resources Ltd		**(28,937)**	4,695
		(28,937)	4,695
(Loss)/Profit is attributable to:			
Owners of Alkane Resources Ltd		**(28,937)**	4,695
		(28,937)	4,695

		CENTS	CENTS
(Loss)/Profit per share attributable to the ordinary equity holders of the Company:			
Basic (loss)/profit per share	21	**(5.8)**	1.1
Diluted (loss)/profit per share	21	**(5.7)**	1.1

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

AS AT 30 JUNE 2017

	NOTES	30 JUNE 2017 $'000	30 JUNE 2016 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	**41,969**	24,455
Receivables	6(b)	**2,445**	1,720
Inventories	7(a)	**9,644**	12,394
Biological assets	7(b)	**218**	-
Total current assets		**54,276**	38,569
Non-current assets			
Exploration and evaluation	7(c)	**83,107**	72,553
Property, plant and equipment	7(d)	**60,627**	102,941
Other financial assets	6(c)	**4,233**	7,197
Biological assets	7(b)	**507**	-
Total non-current assets		**148,474**	182,691
Total assets		**202,750**	221,260
LIABILITIES			
Current liabilities			
Trade and other payables	6(d)	**11,166**	8,745
Provisions	7(e)	**8,169**	1,703
Total current liabilities		**19,335**	10,448
Non-current liabilities			
Deferred tax liabilities	5(d)	**-**	4,747
Provisions	7(e)	**18,488**	15,755
Total non-current liabilities		**18,488**	20,502
Total liabilities		**37,823**	30,950
Net assets		**164,927**	190,310
EQUITY			
Contributed equity	8(a)	**219,948**	213,791
Reserves	8(b)	**1,330**	3,933
Accumulated losses	8(c)	**(56,351)**	(27,414)
Total equity		**164,927**	190,310

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

FOR THE YEAR ENDED 30 JUNE 2017

	ATTRIBUTABLE TO OWNERS OF ALKANE RESOURCES LTD			
	SHARE CAPITAL $'000	SHARE-BASED PAYMENTS RESERVE $'000	ACCUMULATED LOSSES $'000	TOTAL EQUITY $'000
Balance at 1 July 2015	201,845	714	(32,109)	170,450
Profit for the year	-	-	4,695	4,695
Total comprehensive profit for the year	-	-	4,695	4,695
Transactions with owners in their capacity as owners:				
Share placement (Note 8(a))	12,388	-	-	12,388
Share issue transaction costs	(147)	-	-	(147)
Deferred tax credit recognised in equity	(295)	-	-	(295)
Share based payments	-	3,219	-	3,219
	11,946	3,219	-	15,165
Balance at 30 June 2016	213,791	3,933	(27,414)	190,310
Balance at 1 July 2016	**213,791**	**3,933**	**(27,414)**	**190,310**
Loss for the year	**-**	**-**	**(28,937)**	**(28,937)**
Total comprehensive loss for the year	**-**	**-**	**(28,937)**	**(28,937)**
Transactions with owners in their capacity as owners:				
Share placement (Note 8(a))	**4,141**	**-**	**-**	**4,141**
Share based payments	**2,570**	**(2,603)**	**-**	**(33)**
Share issue transaction costs	**(670)**	**-**	**-**	**(670)**
Deferred tax credit recognised in equity	**116**	**-**	**-**	**116**
Balance at 30 June 2017	**219,948**	**1,330**	**(56,351)**	**164,927**

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

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	YEAR ENDED 30 JUNE 2017 $'000	30 JUNE 2016 $'000
Cash flows from operating activities			
Receipts from customers		**117,338**	109,134
Payments to suppliers and employees (inclusive of GST)		**(60,250)**	(70,051)
Interest received		**454**	490
Finance costs paid		**(719)**	(248)
Royalties and selling costs		**(2,723)**	(2,819)
Other receipts		**648**	980
Net cash inflow from operating activities	10(a)	**54,748**	37,486
Cash flows from investing activities			
Payments for property, plant and equipment		**(33,551)**	(33,634)
Proceeds from sale of property, plant and equipment		**53**	26
Payments for exploration expenditure		**(10,154)**	(6,789)
Payments for security deposits		**(2,028)**	(2,151)
Refund of security deposits		**4,991**	2,541
Net cash outflow from investing activities		**(40,689)**	(40,007)
Cash flows from financing activities			
Proceeds from issue of shares	8(a)	**4,141**	12,388
Cost of share issue	8(a)	**(670)**	(147)
Proceeds from borrowings		**7,912**	4,000
Repayment of borrowings		**(7,928)**	(4,114)
Net cash inflow from financing activities		**3,455**	12,127
Net increase in cash and cash equivalents		**17,514**	9,606
Cash and cash equivalents at the beginning of the year		**24,455**	14,849
Cash and cash equivalents at end of year	6(a)	**41,969**	24,455

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

The Board of Alkane Resources Ltd has identified two reportable segments, being gold operations and the exploration and evaluation of rare metals.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker that are used to make strategic decisions.

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 Group has formed a tax consolidation group and therefore tax balances have been allocated to the unallocated grouping.

The Group utilises a central treasury function and therefore the cash balances have been allocated to the unallocated segment. The prior year total segment assets have been restated to reallocate cash to the unallocated segment.

	GOLD OPERATIONS $'000	RARE METALS $'000	UNALLOCATED $'000	GROUP $'000
30 JUNE 2017				
Gold sales to external customers	**117,338**	**-**	**-**	**117,338**
Interest income	**175**	**191**	**88**	**454**
Total segment revenue	**117,513**	**191**	**88**	**117,792**
Segment net loss before income tax	**(25,811)**	**(287)**	**(7,470)**	**(33,568)**
Segment net loss includes the following non-cash adjustments:				
Depreciation and amortisation	**(42,265)**	**(3)**	**(276)**	**(42,544)**
Deferred stripping costs capitalised	**26,603**	**-**	**-**	**26,603**
Impairment charges	**(39,975)**	**-**	**-**	**(39,975)**
Exploration expenditure written off or provided for	**-**	**(5)**	**(160)**	**(165)**
Restructuring provision	**(2,965)**	**-**	**-**	**(2,965)**
Inventory product movement and provision	**(2,660)**	**-**	**-**	**(2,660)**
Income tax benefit	**-**	**-**	**4,631**	**4,631**
Total non-cash adjustments	**(61,262)**	**(8)**	**4,195**	**(57,075)**
Total segment assets	**48,916**	**101,419**	**52,415**	**202,750**
Total segment liabilities	**(34,297)**	**(1,505)**	**(2,021)**	**(37,823)**
Net segment assets	**14,619**	**99,914**	**50,394**	**164,927**
30 JUNE 2016				
Gold sales to external customers	109,134	-	-	109,134
Interest income	257	-	233	490
Total segment revenue	109,391	-	233	109,624
Segment net profit/(loss) before income tax	14,304	(264)	(7,377)	6,663
Segment net profit / (loss) includes the following non-cash adjustments:				
Depreciation and amortisation	(29,929)	-	(260)	(30,189)
Deferred stripping costs capitalised	15,740	-	-	15,740
Exploration expenditure written off or provided for	-	(17)	(99)	(116)
Inventory product movement and provision	424	-	-	424
Income tax expense	-	-	(1,968)	(1,968)
Total non-cash adjustments	(13,765)	(17)	(2,327)	(16,109)
Total segment assets	96,393	93,170	31,697	221,260
Total segment liabilities	(24,194)	(1,014)	(5,742)	(30,950)
Net segment assets	72,199	92,156	25,955	190,310

2 REVENUE

	YEAR ENDED 30 JUNE 2017 $'000	YEAR ENDED 30 JUNE 2016 $'000
Revenue from continuing operations		
Gold sales	**117,338**	109,134
Other revenue		
Interest income	**454**	490
Total revenue	**117,792**	109,624

(a) REVENUE

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 where applicable.

(b) 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 has been determined with reasonable accuracy and collectability is probable.

(c) INTEREST INCOME

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

3 EXPENSES

	NOTES	YEAR ENDED 30 JUNE 2017 $'000	YEAR ENDED 30 JUNE 2016 $'000
Cost of sales			
Cash costs of production		**77,584**	76,236
Deferred stripping costs capitalised		**(26,603)**	(15,740)
Inventory product movement		**4,684**	(601)
Inventory product provision for net realisable value		**(2,024)**	177
Depreciation and amortisation		**42,265**	29,929
Royalties and selling costs		**3,432**	3,251
Share based payments		**-**	2,099
		99,338	95,351
Other expenses			
Impairment charges	9	**39,975**	-
Restructuring provision	11(g)	**2,965**	-
Corporate administration		**2,098**	2,002
Employee remuneration and benefits expensed		**2,366**	2,019
Share based payments		**142**	1,120
Professional fees and consulting services		**1,229**	1,271
Exploration expenditure provided for or written off		**165**	116
Directors' fees and salaries expensed		**588**	580
Depreciation		**279**	260
Dubbo project expenses not capitalised		**997**	659
Non-core project expenses		**722**	122
		51,526	8,149

3 EXPENSES (continued)

(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 $20,139,000 of employee remuneration and benefits (2016: $18,238,000).

(b) DEFERRED STRIPPING COSTS CAPITALISED

Stripping costs capitalised represent 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(d)(i) for further detail on the Group's accounting policy for deferred stripping costs.

(c) INVENTORY PRODUCT MOVEMENT

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

Refer to note 7(a)(i) for further details on the Group's accounting policy for inventory.

(d) INVENTORY PRODUCT PROVISION FOR NET REALISABLE VALUE

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. The net realisable value provision equals the decrement between the net realisable value and the carrying value before provision.

Refer to note 7(a)(i) for further details on the Group's accounting policy for inventory.

4 OTHER INCOME AND EXPENSE ITEMS

(a) OTHER NET INCOME

	YEAR ENDED	
	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Net foreign exchange gains	**39**	8
Loss on disposal of non-current assets	**(146)**	(13)
Other income	**646**	980
	539	975

The other income includes the sale of water available under certain owned water licences of $169,000 (2016: $211,000) as well as NSW government payroll tax rebate under the Job Actions Plan of $28,000 (2016: $587,000). For for first time this year, income was recognised from the farming activity which started up in May 2016 for agistment and livestock sales of $290,000.

5 INCOME TAX

(a) INCOME TAX (BENEFIT)/EXPENSE

	YEAR ENDED	
	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Deferred tax (benefit)/expense	**(4,631)**	1,968
Total income tax (benefit)/expense	**(4,631)**	1,968

5 INCOME TAX (continued)

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

	YEAR ENDED	
	30 JUNE 2017 $'000	30 JUNE 2016 $'000
(Loss)/Profit before income tax expense	**(33,568)**	6,663
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	**(10,070)**	1,999
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Tax benefits of deductible equity raising costs	**(85)**	(339)
Research and development tax incentive	**(363)**	(526)
Non-deductible share based payments	**32**	966
Other items	**3**	37
Subtotal	**(10,483)**	2,137
Non-recognition of deferred tax asset on temporary differences	**7,565**	-
Adjustments for current tax of prior periods	**(24)**	-
Utilisation of previously unrecognised tax losses	**(1,689)**	(169)
Income tax (benefit)/expense	**(4,631)**	1,968

(c) DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:		
Tax losses	**1,066**	705
Research and development tax incentive	**3,870**	3,506
Rehabilitation provisions and assets	**4,114**	870
Property, plant and equipment	**21,587**	10,828
Other	**2,162**	1,112
Total deferred tax assets	**32,799**	17,021
Set-off of deferred tax liabilities pursuant to set-off provisions	**(25,234)**	(17,021)
Net deferred tax assets	**7,565**	-
De-recognition of deferred tax assets	**(7,565)**	-
Net recognised deferred tax assets	**-**	-

5 INCOME TAX (continued)

(c) DEFERRED TAX ASSETS (continued)

MOVEMENTS	TAX LOSSES $'000	REHABILITATION PROVISION AND ASSETS $'000	PROPERTY, PLANT AND EQUIPMENT $'000	R&D TAX INCENTIVE CREDITS $'000	OTHER $'000	TOTAL $'000
At 1 July 2015	2,898	844	10,148	1,919	1,302	17,111
Charged/(credited)						
- to profit or loss	(2,193)	26	680	1,587	105	205
- directly to equity	-	-	-	-	(295)	(295)
At 30 June 2016	705	870	10,828	3,506	1,112	17,021
At 1 July 2016	**705**	**870**	**10,828**	**3,506**	**1,112**	**17,021**
Charged/(credited)						
- to profit or loss	**361**	**3,244**	**10,759**	**364**	**934**	**15,662**
- directly to equity	**-**	**-**	**-**	**-**	**116**	**116**
At 30 June 2017	**1,066**	**4,114**	**21,587**	**3,870**	**2,162**	**32,799**
De-recognition of deferred tax asset charged to profit or loss						**(7,565)**
Net recognised deferred tax assets available for offset against deferred tax liabilities						**25,234**

(d) DEFERRED TAX LIABILITIES

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
The balance comprises temporary differences attributable to:		
Exploration expenditure	**(24,932)**	(21,766)
Other	**(302)**	(2)
Total deferred tax liabilities	**(25,234)**	(21,768)
Set-off of deferred tax assets	**25,234**	17,021
Net recognised deferred tax liabilities	**-**	(4,747)

MOVEMENTS	EXPLORATION EXPENDITURE $'000	OTHER $'000	TOTAL $'000
At 1 July 2015	19,575	20	19,595
Charged/(credited)			
- to profit or loss	2,191	(18)	2,173
At 30 June 2016	21,766	2	21,768
At 1 July 2016	**21,766**	**2**	**21,768**
Charged/(credited)			
- to profit or loss	**3,166**	**300**	**3,466**
At 30 June 2017	**24,932**	**302**	**25,234**

5 INCOME TAX (continued)

(e) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Relating to equity raising costs	**(116)**	295

(f) UNRECOGNISED TEMPORARY DIFFERENCES AND TAX LOSSES

Unrecognised tax losses	**19,618**	20,602
Potential tax benefit at 30% (2016: 30%)	**5,885**	6,181

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.

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 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 no deferred tax asset has been recognised for certain tax losses. Recognition 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.

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Unrecognised temporary differences	**25,217**	147
Potential tax benefit at 30% (2016: 30%)	**7,565**	44

Deferred tax assets relating to deductible temporary differences can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised. The deferred tax asset relating to impairment expense has not been recognised at this time as it is not probable that sufficient future taxable profits will be available against which to offset the deductible temporary differences. Recognition for accounting purposes does not impact the ability of the Group to utilise the deductible temporary differences to reduce future taxable profits.

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; and
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

	NOTES	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Financial assets at amortised cost			
Cash and cash equivalents	6(a)	**41,969**	24,455
Receivables		**358**	24
Other financial assets		**4,233**	7,197
		46,560	31,676

The receivables balance above excludes prepayments and tax receivable balances which do not meet the definition of financial assets. Refer to note 6(b) for total receivables balance.

The financial assets are presented as current assets as management intends to dispose of them within 12 months of the end of the reporting period. Other financial assets are not expected to be disposed of within 12 months and are presented as non current assets.

	NOTES	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Financial liabilities at amortised cost			
Trade and other payables	6(d)	**11,166**	8,745

(a) CASH AND CASH EQUIVALENTS

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Cash at bank and on hand	**38,969**	24,455
Deposits at call	**3,000**	-
	41,969	24,455

Cash at bank at balance date weighted average interest rate was 2.0% (2016: 0.9%).

(i) Classification as cash and cash equivalents

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.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) RECEIVABLES

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Prepayments	**692**	849
GST and fuel tax credit receivable	**1,395**	847
Other receivables	**358**	24
	2,445	1,720

(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 impairment. 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.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment is established when there is objective evidence that the Group 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.

(c) OTHER FINANCIAL ASSETS

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Non-current assets		
Interest bearing security deposits	**4,233**	7,197

The above deposits are held by financial institutions or regulatory bodies as security for rehabilitation obligations as required under the respective exploration and mining leases or as required under agreement. The Group utilised a short term performance bond facility during the year resulting in the return of some of the existing security deposits totalling $4,991,000. At balance date $2,000,000 of this new facility was backed by security deposits, with the remainder to be backed by 29 September 2017. Refer to note 22 for details of assets pledged as security.

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(a) for the Group's exposure to interest rate risk. The fair value of other financial assets is equal to its carrying value.

(d) TRADE AND OTHER PAYABLES

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Current liabilities		
Trade payables	**5,629**	2,647
Other payables	**5,537**	6,098
	11,166	8,745

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. Current trade and other 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 considered 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))
  - biological assets (note 7(b))
  - exploration and evaluation (note 7(c))
  - property, plant and equipment (note 7(d))
  - provisions (note 7(e))
- 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 2017 $'000	30 JUNE 2016 $'000
Current assets		
Ore stockpiles	**4,545**	3,450
Gold in circuit	**1,581**	2,359
Bullion on hand	**1,736**	4,713
Consumable stores	**1,782**	1,872
	9,644	12,394

(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. At balance date ore stockpiles, gold in circuit, bullion on hand and consumable stores were carried at cost (2016: ore stockpiles, gold in circuit and bullion on hand were carried at net realisable value, with consumable stores carried at cost).

No provision was recorded at 30 June 2017 to write down inventories to their recoverable value (2016: $2,024,000). The movement in the provision of $2,024,000 (2016: $177,000) was recognised as a credit or reversal expense during the year and included in cost of sales in the statement of comprehensive income.

Consumable stores include diesel, explosives and other consumables items.

(b) BIOLOGICAL ASSETS

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Current assets	**218**	-
Non-current assets	**507**	-

Biological assets comprise sheep and cattle which were acquired during the year by Toongi Pastoral Company Pty Ltd as part of the ramp up of farming operations on the surrounding land to the Dubbo Project mining lease.

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(c) EXPLORATION AND EVALUATION

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Opening balance	**72,553**	65,251
Expenditure during the year	**10,719**	7,418
Amounts provided for or written off	**(165)**	(116)
Closing balance	**83,107**	72,553

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 exploration and evaluation activities in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts or circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets fair value less costs of disposal and their value in use.

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.

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.

(d) PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WIP $'000	MINE PROPERTIES $'000	TOTAL $'000
YEAR ENDED 30 JUNE 2017					
Opening cost	**39,616**	**72,204**	**708**	**110,282**	**222,810**
Additions	**-**	**-**	**3,548**	**36,855**	**40,403**
Transfers between classes	**113**	**1,172**	**(3,860)**	**2,575**	**-**
Disposals	**(16)**	**(513)**	**-**	**-**	**(529)**
Net movement	**97**	**659**	**(312)**	**39,430**	**39,874**
Closing cost	**39,713**	**72,863**	**396**	**149,712**	**262,684**
Opening accumulated depreciation and impairment	**(7,661)**	**(45,676)**	**-**	**(66,532)**	**(119,869)**
Depreciation charge	**(1,570)**	**(9,969)**	**-**	**(31,005)**	**(42,544)**
Disposals	**-**	**332**	**-**	**-**	**332**
Impairment charge	**(2,317)**	**(10,219)**	**-**	**(27,439)**	**(39,975)**
Net movement	**(3,887)**	**(19,856)**	**-**	**(58,444)**	**(82,187)**
Closing accumulated depreciation and impairment	**(11,549)**	**(65,532)**	**-**	**(124,976)**	**(202,057)**
Closing net carrying value	**28,164**	**7,331**	**396**	**24,736**	**60,627**

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(d) PROPERTY, PLANT AND EQUIPMENT (continued)

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WIP $'000	MINE PROPERTIES $'000	TOTAL $'000
YEAR ENDED 30 JUNE 2016					
Opening cost	25,660	70,006	819	83,011	179,496
Additions	-	-	17,196	26,186	43,382
Disposals	-	(68)	-	-	(68)
Transfers between classes	13,956	2,266	(17,307)	1,085	-
Net movement	13,956	2,198	(111)	27,271	43,314
Closing cost	39,616	72,204	708	110,282	222,810
Opening accumulated depreciation and impairment	(6,072)	(35,752)	-	(47,885)	(89,709)
Depreciation charge	(1,589)	(9,953)	-	(18,647)	(30,189)
Disposals	-	29	-	-	29
Net movement	(1,589)	(9,924)	-	(18,647)	(30,160)
Closing accumulated depreciation and impairment	(7,661)	(45,676)	-	(66,532)	(119,869)
Closing net carrying value	31,955	26,528	708	43,750	102,941

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; and
- the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

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 is 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 over their estimated useful lives as follows:

Buildings	units of production
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 the carrying amount. These are included in the statement of comprehensive income.

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(d) PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Deferred stripping costs capitalised

Overburden and other mine waste materials removed during the initial development of an open pit mine 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 ore 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 ore begins 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 stripping 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; and
- 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 strip ratio of the ore component. 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.

(ii) 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.

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 Group. 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 production was changed from tonnes milled for mine properties other than deferred stripping to ounces produced (refer note 11).

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

(e) PROVISIONS

	30 JUNE 2017			30 JUNE 2016		
	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Employee benefits	**1,993**	**617**	**2,610**	1,703	422	2,125
Rehabilitation	**5,571**	**15,464**	**21,035**	-	15,333	15,333
Restructuring	**558**	**2,407**	**2,965**	-	-	-
Other provisions	**47**	**-**	**47**	-	-	-
	8,169	**18,488**	**26,657**	1,703	15,755	17,458

(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 can be 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 in finance charges.

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(e) PROVISIONS (continued)

(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.

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 corporate 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.

Restructuring provision

The provision for restructuring relates to the Group's liability for severance payments for the current open cut gold mining operations.

The current provision represents restructuring amounts 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.

The liability for restructuring benefits not expected to vest within 12 months after the end of the period is recognised in the non-current provision. Consideration is given to the expected employee turnover and other factors in determining the value of the restructuring benefits. The non-current provision has not been discounted to present value as the impact of discounting is not material.

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 $367,000 (2016: $188,000) was 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.

(iii) Movements in provision

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

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Rehabilitation and mine closure		
Opening balance	**15,333**	6,552
Additional provision incurred	**4,539**	8,011
Expenditure during the year	**(1,454)**	(1,113)
Unwinding of discount	**367**	188
Change in estimate	**2,250**	1,695
Closing balance	**21,035**	15,333

8 EQUITY

(a) CONTRIBUTED EQUITY

	NOTES	30 JUNE 2017 SHARES	30 JUNE 2016 SHARES	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Ordinary shares - fully paid	8(a)(ii)	**505,215,669**	476,159,490	**219,948**	213,791

(i) Movements in ordinary share capital

DETAILS	NUMBER OF SHARES	$'000
Opening balance 1 July 2015	414,218,670	201,845
Share placement	61,940,820	12,388
	476,159,490	214,233
Less: Transaction costs arising on share issues	-	(147)
Deferred tax credit recognised directly in equity	-	(295)
Balance 30 June 2016	476,159,490	213,791
Opening balance 1 July 2016	**476,159,490**	**213,791**
Employee share scheme issue	**8,348,983**	**2,570**
Share placement	**20,707,196**	**4,141**
	505,215,669	**220,502**
Less: Transaction costs arising on share issues	**-**	**(670)**
Deferred tax credit recognised directly in equity	**-**	**116**
Balance 30 June 2017	**505,215,669**	**219,948**

During the 2016 financial year the Company undertook a one for five non-renounceable entitlement issue at an issue price of $0.20 per new share. The offer closed on 23 May 2016 raising $12,388,000 (before costs) and resulting in the issue of 61,940,820 new shares. The shortfall of 20,707,196 shares was placed to a number of institutional and professional investors on 7 July 2016 raising $4,141,000 (before costs).

(ii) 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.

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) RESERVES

Share-based payments

The share-based payments reserve is used to recognise:

- the grant date fair value of shares issued to employees
- the grant date fair value of deferred rights granted to employees but not yet vested

(c) ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Opening balance	**(27,414)**	(32,109)
Net (loss)/profit for the year	**(28,937)**	4,695
Closing balance	**(56,351)**	(27,414)

9 IMPAIRMENT OF NON-CURRENT ASSETS

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Impairment of non-current assets		
Gold cash generating unit	**39,975**	-

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 or reversal. 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 CGU 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 statement of comprehensive income.

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 of disposing (FVLCD) and its value in use (VIU). FVLCD 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.

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.

As a result of the significant and prolonged impact that weather has had on the operations and performance of the Tomingley Gold Operation during the first half financial year, management have undertaken a review of the carrying value of the non-current assets relating to the gold cash generating unit. The review was further impacted by drilling performed during the period on the proposed underground mine which has led to a revision of certain sections of the geological resource model resulting in a reduction in the underground mineral inventory. An update of the detailed mine design, scheduling and financials incorporating the revised geological model is in progress. Management estimates that the impact of this reduction in mineral inventory means that the value of the proposed underground operation should be reduced. Resources and reserves are updated annually, around August. Management remain confident based on the strong geological understanding of the deposit that there is significant value to be unlocked that could lead to a profitable underground mine and is working on the most cost effective means to identify additions to the mineral inventory to offset the recent changes.

A further impairment was recorded after completion of the annual business planning process for financial year 2018 which saw the removal of a scheduled cutback in the Caloma One pit. The cutback requires the use of smaller equipment than currently utilised at the operation and whilst being designed and able to be executed was removed from the mining schedule until other ore sources are available concurrently to manage the execution risk. Management will continue to review the economics and timing of the cutback for possible inclusion in future mining schedules.

The key assumptions used in the FVLCD calculations include:

- commercially recoverable mineral inventories
- production volumes and efficiencies which can include potential future expansions and improvements in efficiency
- the cash costs of production adjusted for the effects of taxation
- the forecast AUD/USD foreign exchange rate
- the forecast USD gold price
- cash flows include the effects of taxation
- a post-tax discount rate reflecting the time value of money, the price for bearing the uncertainty inherent in the asset and other relevant factors

9 IMPAIRMENT OF NON-CURRENT ASSETS (continued)

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

The key assumptions used in the VIU calculations include:

- commercially recoverable mineral inventories
- production volumes and efficiencies based on the assets current operating capacity and efficiency
- the cash costs of production
- the balance date AUD/USD foreign exchange rate
- cash flows are not adjusted for the effects of taxation
- the balance date USD gold price
- a pre-tax discount rate was used, which equated to a post-tax rate of 8%, reflecting the time value of money, the price for bearing the uncertainty inherent in the asset and other relevant factors

The VIU valuation methodology provided the higher recoverable amount and therefore the gold cash generating unit has been valued on that basis. A total impairment expense of $39,975,000 (2016: Nil) has been recorded against the property, plant and equipment of the gold cash generating unit.

The deferred tax asset relating to the impairment expense has not been recorded as at this time it is not probable that sufficient future taxable profits will be available to utilise all of the Group’s available deferred tax assets. The Group will reassess at each reporting date whether the unrecognised deferred tax asset can subsequently be recognised. Refer to note 5 for details.

10 CASH FLOW INFORMATION

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

	YEAR ENDED	
	30 JUNE 2017 $'000	30 JUNE 2016 $'000
(Loss)/profit after tax	**(28,937)**	4,695
Non-cash adjustments		
Depreciation and amortisation	**42,544**	30,189
Non-cash finance charges	**367**	188
Impairment charges	**39,975**	-
Share-based payments	**(32)**	3,219
Net loss on disposal of non-current assets	**146**	13
Exploration costs provided for or written off	**165**	116
Change in operating assets and liabilities:		
Increase in trade and other receivables	**(577)**	(130)
Decrease/(increase) in inventories	**2,004**	(889)
Increase/(decrease) in trade and other payables	**226**	(2,253)
(Decrease)/increase in deferred tax balances	**(4,631)**	1,968
Increase in provisions	**3,498**	370
Net cash inflow from operating activities	**54,748**	37,486

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 AND JUDGEMENTS

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) CARRYING VALUE OF NON-CURRENT ASSETS

Non-current assets include capitalised exploration and evaluation expenditures and mine properties. 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 and activities are planned to enable that determination.

The future recoverability of capitalised exploration and evaluation expenditure is dependent 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. The future recoverability of mine properties is dependent on the generation of sufficient future cash flows from operations (or alternately sale). Factors that could impact the future recoverability of exploration and evaluation and mine properties include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices and exchange rates.

Estimates of recoverable quantities of resources and reserves also include assumptions requiring significant judgment as detailed in the resource and reserve statements.

The Group has recorded an impairment against the gold cash generating unit in the financial year. The preparation of valuations to support the carrying value of non-current assets requires significant judgement by management. Refer to note 9 for details.

(b) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Non-current assets include property, plant and equipment. The Group reviews the useful lives of depreciable asset at each reporting date or when there is a change in the pattern in which the asset's future economic benefits are expected to be consumed, based on the expected utilisation of the assets. Depreciation and amortisation are calculated using units of production for mine development, rehabilitation asset and mining plant and equipment. Up to 31 December 2016, tonnes milled was the unit of production. From 1 January 2017 the unit of production was changed to ounces produced. The change was made as a result of the greater variability in ore grades in the remaining scheduled mine life leading to ounces produced better matching with the recognition of revenues. The impact of the change was to bring forward the recognition of $6,284,000 in depreciation and amortisation charges into the current financial year.

(c) 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 and to rehabilitate exploration and mining leases. 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(e)(ii).

(d) 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 AND JUDGEMENTS (continued)

(e) 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 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(c) and 5(f) for the current recognition of tax losses.

The deferred tax asset relating to impairment expense has not been recorded at this time as it is not probable that sufficient future taxable profits will be available to utilise the Group's available deferred tax assets. Refer to note 5(f) for details.

(f) SHARE BASED PAYMENTS

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for share appreciation rights is determined with the assistance of an external valuer. The number of performance rights issued under the long term incentive plan are adjusted to reflect management's assessment of the probability of meeting the targets and service condition. The related assumptions are set out in note 19. The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(g) PROVISION FOR RESTRUCTURING COSTS

Restructuring costs are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises restructuring costs when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Significant judgement is required in determining the probability of retention of employees. Refer note 7(e).

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, hence 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 notes 14(a) and 15(c) for further information.

12 FINANCIAL RISK MANAGEMENT (continued)

(a) MARKET RISK (continued)

(ii) Commodity price risk

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.

(iii) 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 IMPACT ON (LOSS)/PROFIT AFTER TAX					
	30 JUNE 2017			30 JUNE 2016		
	CARRYING AMOUNT $'000	+100BP $'000	-100BP $'000	CARRYING AMOUNT $'000	+100BP $'000	-100BP $'000
Financial assets						
Cash and cash equivalents	**41,969**	**294**	**(294)**	24,455	171	(171)
Receivables *	**358**	**-**	**-**	273	-	-
Other financial assets	**4,233**	**30**	**(30)**	7,197	50	(50)
Financial liabilities						
Trade and other payables	**(11,165)**	**-**	**-**	(8,745)	-	-
Total increase / (decrease) in profit		**324**	**(324)**		221	(221)

* The receivables balance excludes prepayments and tax balances which do not meet the definition of financial assets or liabilities.

There is no exposure to foreign exchange risk or commodity price risk for the above financial assets and 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

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.

14 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) CONTINGENT LIABILITIES

The Group has contingent liabilities estimated at up to $5,100,000 for the potential acquisition of several parcels of land surrounding the Dubbo Project (2016: $3,400,000). The landholders have the right to require subsidiary Australian Strategic Materials Ltd to acquire their property as provided for in the development consent conditions for the Dubbo Project or under agreement with Australia Strategic Materials Ltd.

(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 $1,601,000 (2016: contingent liability $7,074,000) existed at the balance date in the event that the contracts are not settled by the physical delivery of gold.

15 COMMITMENTS

(a) EXPLORATION AND MINING LEASE COMMITMENTS

In order to maintain current rights of tenure to exploration and 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 2017 $'000	30 JUNE 2016 $'000
Within one year	**1,175**	1,373

(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 2017 $'000	30 JUNE 2016 $'000
Within one year	**381**	358
Later than one year but not later than five years	**321**	-
	702	358

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. During the year as part of the financing arrangement with Macquarie Bank Ltd, the Group entered into two gold call option contracts totalling 12,000 ounces.

The gold forward and option 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.

	GOLD FOR PHYSICAL DELIVERY OUNCES	CONTRACTED GOLD SALE PRICE PER OUNCE ($)	VALUE OF COMMITTED SALES $'000
30 JUNE 2017			
Fixed forward contracts			
Within one year	**17,500**	**1,716**	**30,030**
Gold call options			
Within one year	**12,000**	**1,771**	**21,252**
30 JUNE 2016			
Fixed forward contracts			
Within one year	50,900	1,683	85,680
Later than one year but not later than five years	13,000	1,715	22,300
Total	63,900		107,980
Gold call options			
Later than one year but not later than five years	12,000	1,771	21,252

(d) CAPITAL COMMITMENTS

Capital expenditure committed for at the end of the reporting period but not recognised as liabilities amounted to $858,000 (2016: $1,435,000).

16 EVENTS OCCURRING AFTER THE REPORTING PERIOD

No other matter or circumstance has occurred subsequent to period 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 standards 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 2017 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 state of incorporation or registration is also their principal place of business.

NAME OF ENTITY	STATE OF INCORPORATION	OWNERSHIP INTEREST HELD BY THE GROUP	
		2017 %	2016 %
Australian Zirconia Holdings Pty Ltd	Western Australia	**100**	100
Australian Strategic Materials Ltd	Western Australia	**100**	100
Tomingley Holdings Pty Ltd	New South Wales	**100**	100
Tomingley Gold Operations Pty Ltd	New South Wales	**100**	100
Toongi Pastoral Company Pty Ltd	New South Wales	**100**	100

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 2017 $	30 JUNE 2016 $
Short-term employee benefits	**1,784,397**	1,704,154
Post-employment benefits	**141,340**	128,355
Long-term benefits	**42,600**	12,698
Share-based payments	**347,520**	455,030
	2,315,857	2,300,237

Disclosures relating to Key Management Personnel are set out in the Remuneration Report.

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

(d) TRANSACTIONS WITH OTHER RELATED PARTIES

The following transactions occurred with related parties:

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 for the current year of $94,000 (2016: $89,000). The terms are documented in a Service Level Agreement and represent normal commercial terms and conditions.

During the period fees amounting to $210,000 (2016: $302,229) were paid to Mineral Administration Services (MAS) in which the company secretary of the Group, Ms K E Brown has a substantial financial interest. MAS provides administration and company secretarial services to the Group.

(e) RELATED PARTY PAYABLES

There were no invoices outstanding at the end of the reporting period in relation to transactions with related parties (2016: $29,643).

19 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Group's incentive plans. The incentive plans consist of the short term and long term incentive plans for Executive Directors and other Executives and the employee share scheme for all other employees. Information relating to these plans is set out in the remuneration report and below.

The fair value of rights granted under the short term and long term incentive plans is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions and the impact of service conditions are included in assumptions about the number of rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of rights that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in statement of comprehensive income, with a corresponding adjustment to equity.

The initial estimate of fair value for market based and non-vesting conditions is not subsequently adjusted for differences between the number of rights granted and number of rights that vest.

When the rights are exercised, the appropriate amount of shares are transferred to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

Under the employee share scheme, shares issued by the Group to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

The fair value of deferred shares granted to employees for nil consideration under the employee share scheme is recognised as an expense over the relevant service period, being the year to which the incentive relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

19 SHARE-BASED PAYMENTS (continued)

Executive Directors and other Executives

The Company's remuneration framework is set out in the remuneration report, including all details of the performance rights and share appreciation rights plans, the associated performance hurdles and vesting criteria.

Participation in the plans is at the discretion of the Board of Directors and no individual has a contractual right to participate in the plans or to receive any guaranteed benefits. Participation is currently restricted to senior Executives within the Group.

The determination of the number of rights that are to vest or be forfeited is made by the Remuneration Committee after the statutory audit has been substantially completed. As such, the actual determination was made after the balance date however details have been included in the tables below as the relevant performance period is the current financial year.

The following tables illustrate the number and weighted average fair value of, and movements in, share rights during the year.

	2017		2016	
	NUMBER OF SHARES RIGHTS	WEIGHTED AVERAGE FAIR VALUE $	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $
Performance Rights				
Outstanding at the beginning of the year	**7,204,278**	**0.23**	3,907,405	0.21
Issued during the year	**-**	**-**	4,945,307	0.25
Vested during the year	**(570,553)**	**0.23**	(1,232,047)	0.25
Lapsed during the year	**(3,766,930)**	**0.23**	(416,387)	0.25
Outstanding at the end of the year	**2,866,795**	**0.23**	7,204,278	0.23

The number of Performance Rights to be granted is determined by the Remuneration Committee with reference to the fair value of each Performance Right which is generally the volume weighted average price for the month preceding the start of the performance period. This will differ from the fair value reported in the table above which is determined at the time of grant.

	2017		2016	
	NUMBER OF SHARES RIGHTS	WEIGHTED AVERAGE FAIR VALUE $	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $
Share Appreciation Rights				
Outstanding at the beginning of the year	**23,737,499**	**0.08**	10,550,000	0.07
Issued during the year	**-**	**-**	13,187,499	0.09
Lapsed during the year	**(12,270,312)**	**0.08**	-	-
Outstanding at the end of the year	**11,467,187**	**0.08**	23,737,499	0.08

The number of Share Appreciation Rights to be granted is determined by the Remuneration Committee with reference to the fair value of each Share Appreciation Right at the time performance targets are set. This will differ from the fair value reported in the table above which is determined at the time of grant.

The Performance Rights, which have non-market based hurdle conditions, have been valued using the Black-Scholes-Merton model to estimate the fair value at valuation date.

The Share Appreciation Rights, which have market based hurdle conditions, have been valued using a Monte Carlo simulation based model to test the likelihood of attaining the Total Shareholder Return hurdle. The Monte Carlo model incorporates the impact of this market based condition on the fair value of the rights.

19 SHARE-BASED PAYMENTS (continued)

The following table lists the inputs to the models used.

GRANT DATE	PERFORMANCE HURDLE	DIVIDEND YIELD %	EXPECTED STOCK VOLATILITY %	RISK FREE RATE %	EXPECTED LIFE YEARS	WEIGHTED AVERAGE SHARE PRICE AT GRANT DATE $
5/12/2014	TSR and Non-Market	-	65	2.60	2.57	0.07
18/11/2015	TSR and Non-Market	-	70	2.25	2.62	0.09

EXPENSES ARISING FROM SHARE BASED PAYMENTS TRANSACTIONS

	YEAR ENDED 30 JUNE 2017 $	30 JUNE 2016 $
Performance rights	**(119,322)**	267,165
Employee share scheme	**(180,913)**	2,309,173
Share appreciation rights	**442,235**	641,792
	142,000	3,218,130

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 2017 $	30 JUNE 2016 $
Audit of annual financial statements	**120,800**	115,600
Review of half year financial statements	**61,145**	35,950
Other assurance services	**-**	42,875
Total remuneration for audit and other assurance services	**181,945**	194,425

(ii) Other services

Other advisory services	**166,810**	3,500

21 EARNINGS PER SHARE

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

	YEAR ENDED 2017 NUMBER	2016 NUMBER
Weighted average number of ordinary shares used in denominator in calculating basic profit/(loss) per share	**502,874,260**	420,783,944
Weighted average number of ordinary shares used as the denominator in calculating diluted profit/(loss) per share	**506,617,269**	424,809,827

22 ASSETS PLEDGED AS SECURITY

As at the date of this report $4,233,000 (2016: $7,197,000) in deposits has been provided as security. Refer to note 6(c) for details.

During the period the Group entered into a working capital facility with Macquarie Bank Ltd comprising the following:

- a performance bond facility of $5,053,000 which of which $2,000,000 was cash backed at balance date with the balance due to be cash backed by 29 September 2017; and
- a project loan facility which was fully drawn to $7,000,000 during the period and repaid in full as at balance date; and
- a hedging facility.

The Group provided the following securities for the working capital facility:

- a combination security agreement providing security over all of the assets of Tomingley Holdings Pty Ltd and Tomingley Gold Operations Pty Ltd;
- a first ranking registered mining mortgage over the Tomingley Mining Lease in accordance with the *Mining Act 1992 (NSW)*;
- land mortgages and a water rights mortgage over the holdings of Tomingley Gold Operations Pty Ltd; and
- a guarantee provided by Alkane Resources Ltd and Tomingley Holdings Pty Ltd.

The Australian-dollar denominated project loan is subject to a floating rate that is fixed each quarter and loan which is carried at amortised cost. The facility did not have any impact on the entity's exposure to foreign exchange and is subject to interest rate risk. The remainder of the borrowings relate to the insurance premium funding facility which is a fixed interest rate Australian-dollar denominated loan.

The table below represents the carrying value of the assets pledged as security:

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Current		
Cash and cash equivalents	**7,080**	14,571
Receivables	**1,987**	972
Inventories	**9,630**	12,394
Total current assets pledged as security	**18,697**	27,937
Non-current		
Plant and equipment	**33,608**	75,939
Total non-current assets pledged as security	**33,608**	75,939
Total assets pledged as security	**52,305**	103,876

23 PARENT ENTITY FINANCIAL INFORMATION

(a) SUMMARY FINANCIAL INFORMATION

The individual financial statements for the Parent Entity show the following aggregate amounts:

	30 JUNE 2017 $'000	30 JUNE 2016 $'000
Balance sheet		
Current assets	**3,517**	10,086
Non-current assets	**162,339**	181,679
Total assets	**165,856**	191,765
Current liabilities	**(1,514)**	(807)
Non-current liabilities	**(345)**	(181)
Total liabilities	**(1,859)**	(988)
Shareholders' equity		
Issued capital	**219,948**	213,791
Reserves	**1,330**	1,582
Accumulated losses	**(57,281)**	(24,596)
Total equity	**163,997**	190,777
Statement of Comprehensive Income		
(Loss)/profit for the period after income tax	**(32,685)**	7,559
Total comprehensive (loss)/income	**(32,685)**	7,559

The parent entity provided a guarantee in respect of the working capital facilities entered into by subsidiary Tomingley Gold Operations Pty Ltd. Refer to note 22 for details.

(b) DETERMINING THE PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Tax consolidation legislation

Alkane Resources Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Refer to note 24 for further details.

(ii) Share-based payments rights

The grant by the company of rights to equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

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 that have not been disclosed previously. 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 12 month period to 30 June 2016.

(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 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 certain financial assets and liabilities which are measured at fair value.

24 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) PRINCIPLES OF CONSOLIDATION

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 transferred asset. 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 statement of comprehensive income, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(c) 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 statement of comprehensive income.

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

(d) INVESTMENTS AND OTHER FINANCIAL ASSETS

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(e) 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; and
- 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 profit attributable to owners of the Company, excluding any costs of servicing equity, by
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

24 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 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.

(g) 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.

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.

24 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 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.

TITLE OF STANDARD	NATURE OF CHANGE	IMPACT	MANDATORY APPLICATION DATE/DATE OF ADOPTION BY GROUP
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2018), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	At this stage, the Group does not foresee any material impact based on its current revenue sources.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Group: 1 July 2018.
AASB 16 Leases	The AASB requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.	At this stage, the Group does not foresee any material impact given the term and values of current leases as there are no material long term operating leases.	Mandatory for financial years commencing on or after 1 January 2019. Expected date of adoption by the Group: 1 July 2019.
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and new impairment model for financial assets.	The Group does not expect any impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities. There will also 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 new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.	Must be applied for financial years commencing on or after 1 July 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

30 JUNE 2017

In the Directors' opinion:

(a) the financial statements and notes set out on pages 43 to 80 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 2017 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
29 August 2017

Independent auditor's report

To the shareholders of Alkane Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Alkane Resources Limited (the Company) and its controlled entities (together, the Group) is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group's financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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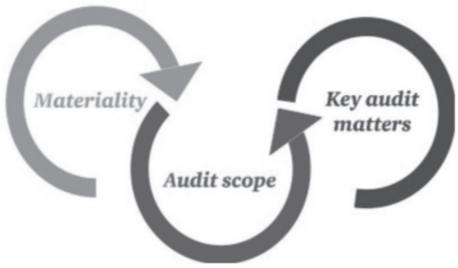
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group produces gold from its Tomingley Gold operations, located in New South Wales. The Group is also currently undertaking exploration and evaluation activities at its Dubbo Project in New South Wales, and other smaller exploration projects outside of Tomingley Gold and Dubbo operations. The accounting processes are structured around a group finance function at its head office in Perth. Our audit procedures were mostly performed at Group head office, along with visiting the Tomingley Gold operations.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall group materiality of $2,000,000, which represents approximately 1% of the Group's total assets as at 30 June 2017. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose total assets because, in our view, it is the metric against which the performance of the Group is most commonly measured. • We selected 1% based on our professional judgement noting that it is also within the range of commonly acceptable asset related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • During the audit the engagement team undertook the majority of its audit work at the Group's head office in Perth as well as visiting the Tomingley Gold operations.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee: - Estimate of rehabilitation and mine closure provision - Assessment of impairment for property, plant and equipment • They are further described in the *Key audit matters* section of our report.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Estimate of rehabilitation and mine closure provision *Refer to Rehabilitation and mine closure provision in note 7 (e) and Critical accounting estimates and judgements in note 11 (c) to the financial statements* As a result of its mining and processing activities at Tomingley Gold, the Group incurs obligations to restore and rehabilitate the environment disturbed by its operations. Rehabilitation activities are governed by a combination of legislative requirements and the Group's policies. At 30 June 2017 the balance sheet includes a provision for such obligations of $21,035,000. We focussed on this matter as determining the provision for rehabilitation and mine closure requires the use of significant estimates and judgements in assessing the nature and extent of rehabilitation work to be performed, and in determining: • the expected future cost of performing the work, • the timing of when the rehabilitation activities are expected to take place, and • economic assumptions such as the discount rate used to discount this estimate to net present value.	We performed the following procedures, amongst others: • Obtained and evaluated the Group's estimate of the provision and tested the mathematical accuracy of the calculation of the discounted cash flows prepared by the Group • Compared the estimated costs for rehabilitation activities to guidance issued by local New South Wales state government • Obtained relevant correspondence on rehabilitation costs between the Group and the New South Wales state government • Evaluated the competence of experts used by the Group in calculating the nature and extent of rehabilitation work required • Compared prior year budgeted expenditure for rehabilitation work against the current year actual expenditure and investigated significant differences • Compared the estimated timing of rehabilitation work to the prior year's rehabilitation estimate. We challenged the timing of planned rehabilitation work in the light of the current Tomingley mine plan • Discussed the basis for cost estimation with management, in the light of budgets and forecasts approved by the Board.
Assessment of impairment for property, plant and equipment *Refer to Impairment of non-current assets in note 9 to the financial statements* The Group identified indicators of impairment for property, plant and equipment due to persistent heavy rain during the first half of the	We performed the following procedures, amongst others: • Tested the logical integrity and mathematical accuracy of the models used for calculation of value of the CGU • Considered whether the valuation method adopted by management was appropriate in the circumstances

Key audit matter	How our audit addressed the key audit matter
financial year, negatively impacting gold production and profitability in the Tomingley Gold cash generating unit (CGU). The Group has two CGUs, with impairment indicators existing at the Tomingley Gold CGU. An impairment assessment was therefore performed for this CGU. The Group concluded that assets of the Tomingley Gold CGU were impaired and an impairment charge of $39,975,000 was recorded for the year ended 30 June 2017. We focused on this matter because: • the valuation techniques used to assess impairment are complex, and involve a large number of inputs into the valuation models • calculating the value of the CGU involves significant judgement in estimating: – forecast gold prices, production quantities and production costs, and – the discount rate used.	• Considered whether there were sufficient comparable market transactions to enable a reliable estimate of the CGU to be made • Compared forecast production, operating and capital cash outflows used in the valuation model to the most up-to-date budgets and business plans formally approved by the Board • Evaluated the reasonableness of the Group's forecasts by comparing the prior year's budgeted production and expenditure to actual results for the current year and obtained explanations and support for differences identified • Compared total forecast production quantities over the remaining life of the mine to the Group's latest published mineral reserves and resources statement • Evaluated the competence and independence of experts engaged to determine mineral reserves and resources of the Group. We also performed a reconciliation of reserves and resources from 30 June 2016 to 30 June 2017 taking into account production in the period • Compared the forecast gold price and discount rates used by the Group to those based on independent market data • Evaluated the adequacy of the disclosures made in note 9, including those regarding the key estimates/assumptions, in light of the requirements of Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information included in the Group's annual report for the year ended 30 June 2017 comprises the Director's Report (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. We also expect other information to be made available to us after the date of this auditor's report, including the Chairman's Report, Major Projects and Operations, and Exploration.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgment to determine the appropriate action to take.

Responsibilities of the directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 32 to 41 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Alkane Resources Limited, for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Group 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
29 August 2017

SHARE HOLDING AT 29 SEPTEMBER 2017 - ALK

(a) DISTRIBUTION OF SHAREHOLDERS

SHARE HOLDING	NUMBER OF HOLDERS OF FULLY PAID ORDINARY SHARES
1 - 1,000	752
1,001 - 5,000	1,936
5,001 - 10,000	1,125
10,001 - 100,000	2,211
100,001 - over	475
	6,499

(b) UNMARKETABLE PARCELS

There are 1,016 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	109,869,451
FIL Limited	29,813,399

TOP TWENTY SHAREHOLDERS AT 29 SEPTEMBER 2017

SHAREHOLDER	NUMBER OF SHARES	% ISSUED CAPITAL
Abbotsleigh Pty Ltd	102,669,451	20.30
J P Morgan Nominees Australia Limited	43,750,539	8.65
Citicorp Nominees Pty Limited	34,183,644	6.76
HSBC Custody Nominees (Australia) Limited	22,544,847	4.46
HSBC Custody Nominees (Australia) Limited – A/C 2	11,587,565	2.29
Choice Investments Dubbo Pty Ltd	6,724,695	1.33
Funding Securities Pty Ltd <Cj Ferguson Personal S/F A/C>	3,550,000	0.70
Mandel Pty Ltd <Mandel Super Fund A/C>	3,150,000	0.62
BNP Paribas Noms Pty Ltd <DRP>	3,103,909	0.61
National Nominees Limited	2,798,014	0.55
Leefab Pty Ltd	2,752,456	0.54
Milford Park Superannuation Pty Ltd <Milford Grove Superfund A/C>	2,750,000	0.54
Pebadore Pty Ltd <Weller Family S/Fund A/C>	2,600,000	0.51
BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	2,519,006	0.50
Mr David Hanbury Edmonds <David Edmonds S/F A/C>	2,489,521	0.49
Mrs Pamela Julian Sargood	2,300,000	0.45
Mr Richard Mitchell Dimond + Mrs Denise Rosslyn Dimond <The Dimond Super Fund A/C>	2,250,000	0.44
Ms Jillanne Homewood	2,170,252	0.43
Zenith Business Pty Ltd <Zenith Business A/C>	2,091,573	0.41
Mrs Kathryn Jane Swan	2,000,000	0.40
	257,985,472	51.01

SHAREHOLDER INFORMATION (continued)

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

CORPORATE GOVERNANCE STATEMENT

The Company's annual Corporate Governance Statement has been published and released to ASX separately. It is available on the Company's website at alkane.com.au/company/governance/

AT 29 SEPTEMBER 2017

PROJECT/LOCALITY	TENEMENT	INTEREST	NATURE OF INTEREST
Peak Hill, NSW	GL 5884 (Act 1904)	100%	Equity
	ML 6036	100%	Equity
	ML 6042	100%	Equity
	ML 6277	100%	Equity
	ML 6310	100%	Equity
	ML 6389	100%	Equity
	ML 6406	100%	Equity
	ML 1351	100%	Equity
	ML 1364	100%	Equity
	ML 1479	100%	Equity
	EL 6319	100%	Equity
Dubbo, NSW	EL 5548	100%	Equity (Australian Strategic Materials Ltd)
	EL 7631	100%	Equity (Australian Strategic Materials Ltd)
	ML 1724	100%	Equity (Australian Strategic Materials Ltd)
Wellington, NSW	EL 6320	100%	Equity
Tomingley, NSW	EL 5675	100%	Equity
	EL 5830	100%	Equity
	EL 5942	100%	Equity
	EL 6085	100%	Equity
	ELA 5555	100%	Application
	ML 1684	100%	Equity (Tomingley Gold Operations Pty Ltd)
Cudal, NSW	EL 7020	100%	Equity
	EL 8340	100%	Equity
Rockley, NSW	EL 8170	100%	Equity
	EL 8194	100%	Equity
	EL 8527	100%	Equity
Northern Molong Porphyry Project			
Bodangora, NSW	EL 4022	100%	Equity
Kaiser, NSW	EL 6209	100%	Equity (subject to royalty of 2% net smelter return)
Finns Crossing, NSW	EL 8261	100%	Equity
Elsienora, NSW	EL 8550	100%	Equity
Orange East, NSW	EL 8442	0%	Right to earn 60% to 80%
Nullagine, WA	E 46/522-I & 523-I	0%	60% retained interest in diamond potential
	E 46/928	0%	60% retained interest in diamond potential
	M 46/515, 522 & 523	0%	60% retained interest in diamond potential
Miranda Well, WA	M 36/303	19.4%	Equity – diluting
McDonough Lookout, WA	M 36/329 & 330	19.4%	Equity – diluting

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