ALKANE RESOURCES LTD
ACN 000 689 216

ANNUAL FINANCIAL REPORT 2012

Directors' Report

The directors present their report on the consolidated entity consisting of Alkane Resources Ltd (ACN 000 689 216) and the entities it controlled at the end of, or during, the year ended 31 December 2012.

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

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

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

RESULTS
The net amount of consolidated profit of the Group for the financial year after income tax was $66,534,486 (2011: loss $2,786,970).

DIVIDENDS
No dividends have been paid by the Group during the financial year ended 31 December 2012, nor have the directors recommended that any dividends be paid.

REVIEW OF OPERATIONS
The Company continues to be actively involved in mineral exploration and development, focussing on its core projects at Tomingley and Dubbo in New South Wales.

Tomingley Gold Project (TGP)
The TGP is based on three defined gold resources, Wyoming One, Wyoming Three and Caloma, located 14 kilometres north of the Group's Peak Hill Gold Mine, and approximately 50 kilometres south west of Dubbo. The gold ore will be processed through a standard carbon-in-leach processing plant. The mine has a base case predicted lifespan of seven years, with a target of 10 – 12 years through additional exploration and resource definition. An estimated 380,000 ounces will be recovered at the TGP over the project's seven-year life, averaging approximately 55,000 ounces per annum.

During the year the Group received project approval from the NSW Department of Planning and Infrastructure and the Environmental Protection Licence for construction was approved by the EPA. Grant of the Mining Lease by the NSW Department of Trade and Investment, Division of Resources and Energy was advised on 11 February 2013 and site construction work has commenced.

Capital and operating costs for the Project were updated in September 2012 leading to the revised capital estimate of $116.0 million, including contingencies. At the end of the December Quarter $12.1 million had been expended on development and capital costs, including $3.5 million for EPCM expenditure. The acquisition of several long lead items such as the Ball Mill and site water supply had been initiated in 2011 and 2012 and at the end of December 2012, 95% of the detailed plant design had been completed by the EPCM contractor.

The three deposits at Wyoming One, Wyoming Three and Caloma have been re-optimised, the pits redesigned and production rescheduled based upon the in-pit Measured, Indicated and Inferred Resources. The Ore Reserves are currently being revised. This reschedule was particularly useful in smoothing gold production but also in providing 70,000 ounce per annum output in the first two years to accelerate capital returns.

The Group is advancing a project financing facility with Credit Suisse. The mandate comprised a Project Loan Facility of up to $45.0 million and a Gold Hedging Facility of up to 163,000 ounces. In 2011 the Group entered into an initial 90,000 ounce gold forward sale that will underwrite a minimum price of approximately A$1,600 per ounce for the first two and a half years of production from the Project.

During the year further exploration and evaluation programs were conducted to upgrade the project's resource and reserve inventories and to determine the potential for additional resources within the project site. An RC drilling program commenced in October to define resources within the Caloma Two deposit which is located immediately to the south of the planned Caloma open pit.

Directors' Report

Dubbo Zirconia Project (DZP)

The DZP is located in the Central West Region of New South Wales, 30 kilometres south of the city of Dubbo**.** The project is based upon a large in-ground resource of the metals zirconium, hafnium, niobium, tantalum, yttrium, and rare earth elements. Over several years the Group has developed a flow sheet consisting of sulphuric acid leach followed by solvent extraction recovery and refining to generate a suite of saleable products. Operation of the demonstration pilot plant (DPP) at ANSTO continued with the focus on improving heavy rare earth (HREE) recoveries and water recycling.

The DZP has been classified by the NSW Department of Planning and Infrastructure as a State Significant Project. Much of the base line work for the Environmental Impact Statement (EIS) has been completed and is in the process of being compiled into the study document to be submitted for approvals.

The Definitive Feasibility Study (DFS) has been updated with capital and operating costs for the 1Mtpa operation and is scheduled for completion in the second quarter of 2013.

Programs for acquisition of land to cater for all site infrastructure (including residue storage facilities) and water licences are well advanced. A site access study is also well advanced for incorporation in the EIS and DFS and options for power and essential bulk supplies are being considered.

A Memorandum of Understanding (MoU) was signed with the large Japanese chemical company, Shin-Etsu Chemical Co, to progress a joint venture involving toll treatment of the DZP's light and heavy rare earth concentrates at a Shin-Etsu rare earth separation plant. Following production of the suite of separated rare earths, Shin-Etsu would have a first right to purchase any of the rare earths. Alkane would be able to sell the remaining rare earths to third parties.

The other existing MoUs for zirconium and niobium products are progressing, but at the year's end the MoU with a large chemical company to produce zirconium oxychloride was allowed to lapse in favour of a general agreement to work together to produce high purity zirconia for other market applications.

Orange District Exploration Joint Venture (ODEJV)

During the year the Group disposed of its wholly owned subsidiary LFB Resources NL and its interest in the ODEJV to Regis Resources Limited (Regis) for consideration of 17.5 million Regis shares with a market value of $94.7M on completion date (16 November 2012).

Other exploration projects

The Group has continued exploration and evaluation activities on its other New South Wales projects. In particular reconnaissance and follow up drilling programs have been conducted at the Glen Hollow target within the Comobella Intrusive Complex at Bodangora.

Project review and target evaluations have continued at Wellington, Cudal, Calula and Peak Hill. The Diamond Creek project has been evaluated and relinquished.

Corporate

In March 2012, a three stage capital raising was initiated to raise nearly $107 million for the construction and commissioning of the Tomingley Gold Project, preparation of an Environmental Impact Statement and continuing development of the Dubbo Zirconia Project, working capital for general purposes, and the costs of the capital raising. This was completed successfully following shareholder approval for the third stage of the raising which was a placement conditional on that approval.

Also during the year the Group reached agreement with Compass Resources Ltd to buy back the production royalty for any minerals and metals recovered from Exploration Licence 5675 at the Tomingley Gold Project. In consideration for Compass surrendering all of its right, title and interest in that royalty, Compass was issued with 6 million shares and 4 million options (exercisable at $1.50 each within 12 months of the date of the agreement).

Directors' Report

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the period, the Group sold its interest in subsidiary LFB Resources NL in exchange for 17,500,000 shares in Regis Resources Limited. At the date of the transaction the fair value of the shares was $94,675,000 resulting in a profit on sale of $93,061,000.

During the year, 103,510,842 shares were issued raising $106,923,676. Refer to Note 10 for details.

The state of affairs of the Group, were not affected by any other significant changes during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

In February 2013, the Group was advised by the NSW Department of Trade and Investment, Division of Resources and Energy that the Mining Lease for the Tomingley Gold Project was approved.

No other matter or circumstance has arisen since 31 December 2012 that has, or may, significantly affect the operations, results, or state of affairs of the Group in the financial year subsequent to the financial year ended 31 December 2012.

LIKELY DEVELOPMENTS

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

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 development, construction and mining activities as set out below.

Mining and construction activities

During the year, there were no breaches of the requirements relating to certain environmental restrictions at the Group's mine site at Peak Hill or the construction site at the Tomingley gold project. Management is working with the NSW and Department of Primary Industries and the Office of Environment and Heritage to ensure compliance with all licence conditions. The Group employs a full time environmental manager.

Exploration activities

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

General

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

PARTICULARS OF DIRECTORS

John Stuart Ferguson Dunlop (Non-Executive Chairman)
BE (Min), MEng Sc (Min), FAusIMM (CP), FIMM, MAIME, MCIMM
Appointed director and Chairman 3 July 2006

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

Mr Dunlop is non-executive chairman of Alliance Resources Limited (appointed 30 November 1994) and a non-executive director of Copper Strike Limited (appointed 9 November 2009). During the last three years he was also a non-executive director of Drummond Gold Limited (1 August 2008 – 15 July 2010) and a director of Gippsland Limited (1 July 2005 – 12 July 2012).

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

Directors' Report (continued)

David Ian (Ian) Chalmers (Managing Director)
MSc, FAusIMM, FAIG, FIMMM, FSEG, MSGA, MGSA, FAICD
Appointed director 10 June 1986, appointed Managing Director 5 October 2006

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

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 businessman with extensive experience in retail management and retail property. He has been a director of the Gandel Retail Trust and has had an involvement in the construction and leasing of Gandel shopping centres. He has previously been involved in the Priceline retail chain and the CEO chain of serviced offices.

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

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

Anthony Dean Lethlean (Non-Executive Director)
BAppSc (geology)
Appointed director 30 May 2002
Mr Lethlean is a geologist with over 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers and is currently a director of Helmsec Global Capital Limited (Mr Lethlean is a substantial shareholder in Helmsec Global Capital Limited). Mr Lethlean is a non-executive director of Alliance Resources Limited (appointed 15 October 2003).

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

JOINT COMPANY SECRETARIES
Lindsay Arthur Colless
CA, JP (NSW), FAICD
Mr Colless is a member of the Institute of Chartered Accountants in Australia with over 15 years experience in the profession and a further 35 years experience in commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director.

Karen E V Brown
BEc (hons)
Miss Brown is a director and company secretary of Mineral Administration Services Pty Ltd. She has considerable experience in corporate administration of listed companies over a period of some 26 years, primarily in the mineral exploration industry. She is company secretary of a number of publicly listed companies including Northern Star Resources Limited, Excelsior Gold Limited and General Mining Corporation Limited.

Directors' Report (continued)

DIRECTORS' MEETINGS

The following sets out the number of meetings of the Company's directors (including meetings of Board committees) held during the year ended 31 December 2012 and the number of meetings attended by each director.

			Committee Meetings					
Director	Board of Directors		Audit		Nomination		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J S F Dunlop	11	8	2	2	2	2	4	4
D I Chalmers	11	11	n/a	n/a	2	2	n/a	n/a
A D Lethlean	11	11	2	2	2	2	4	4
I J Gandel	11	10	2	1	2	2	4	3

It is a policy of the Board that when an individual Director is unable to attend a formal Board meeting, the Director receives copies of all relevant Board papers and all matters covered by that meeting are discussed with him separately and his opinions canvassed.

SHARE OPTIONS

There were 4,000,000 options over unissued ordinary shares of Alkane Resources Limited at the date of this report.

REMUNERATION REPORT

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

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

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

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

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

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

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

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

The Remuneration Committee comprises of a minimum of three members and shall be chaired by an independent Director. Currently the Committee comprises Mr Dunlop, Mr Lethlean and Mr Gandel.

The function of the Committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations to the Board on remuneration packages of Directors and senior executives, and employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Non-executive directors

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

Directors' fees

Directors' fees are determined within an aggregate directors' fee pool limit (currently $450,000 per annum), which is periodically recommended for approval by shareholders. This amount is separate from any specific consulting tasks the directors may take on for the Group.

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

Other than the Managing Director and Chief Financial Officer there are no other executive officers or senior managers of the Company or Group.

B. Details of remuneration (audited)

	Consolidated		Parent entity	
	2012 $	2011 $	2012 $	2011 $
Total income received, or due and receivable, by directors of Alkane Resources Ltd from the Company, and any related party in connection with the management of the Company and any related parties	**651,400**	821,107	**651,400**	720,884

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

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

- L A Colless - Joint Company Secretary
- K E Brown - Joint Company Secretary
- M Ball – Chief Financial Officer (commenced 29 October 2012)

Key Management Personnel and Other Executives of the Company

2012 Name	Short-term benefits cash salary and fees $	Post-employment benefits superannuation $	Share-based payment $	Total $
Executive Director of Alkane Resources Ltd				
D I Chalmers	**360,000**	**32,400**	**-**	**392,400**
Non-Executive Directors of Alkane Resources Ltd				
J S F Dunlop	**99,905**	**6,595**	**-**	**106,500**
I J Gandel	**75,000**	**-**	**-**	**75,000**
A D Lethlean	**77,500**	**-**	**-**	**77,500**
Sub-Total Directors	**612,405**	**38,995**	**-**	**651,400**
Key Management Personnel of Alkane Resources Ltd				
L A Colless and K E Brown	**276,704** [a]	**-**	**48,300**	**325,004** [a]
M Ball	**44,557**	**4,010**	**-**	**48,567**
Total Key Management Personnel Compensation	**933,666**	**43,005**	**48,300**	**1,024,971**

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

No long term or termination benefits have been paid.

Directors' Report (continued)

REMUNERATION REPORT (continued)

2011 Name	Short-term benefits cash salary and fees $	Post-employment benefits superannuation $	Share-based payment $	Total $
Executive Directors of Alkane Resources Ltd				
D I Chalmers	521,907[a]	16,200	-	538,107[a]
Non-Executive Directors of Alkane Resources Ltd				
J S F Dunlop	110,100	-	-	110,100
I J Gandel	95,400	-	-	95,400
A D Lethlean	77,500	-	-	77,500
Sub-Total Directors	804,907	16,200	-	821,107
Other Key Management Personnel of Alkane Resources Ltd				
L A Colless and K E Brown	182,433	-	-	182,433
Total Key Management Personnel Compensation	987,340	16,200	-	1,003,540

[a]$222,900 relates to salary and fees paid for Mr Chalmers' services as Managing Director, the balance relates to fees paid to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Group on an as needs basis.
[b]Corporate administration, accounting & company secretarial fees paid to Mineral Administration Services Pty Ltd, a company with which Mr Colless and Miss Brown are associated.

No long term or termination benefits have been paid.

C. Service agreements (audited)

An engagement contract with the Managing Director and formal written consultancy agreements with companies of which key management personnel have a substantial financial interest are in existence and are detailed below.

D I Chalmers
Term of agreement- 2 years commencing 1 July 2012

Agreement
Engagement as Managing Director at a salary of $360,000 per annum plus 9% statutory superannuation.

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

L A Colless and K E Brown
Term of agreement – on-going commencing July 2006

Agreement
Consulting fees are payable by the Company and its subsidiaries to Mineral Administration Services Pty Ltd, a company in which Mr Colless and Miss Brown have substantial financial interests.

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

Directors' Report (continued)

REMUNERATION REPORT (continued)
C. Service agreements (audited) (continued)

Non – Executive Directors
On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board's policies and terms, including compensation, relevant to the office of the director. No performance related bonuses or benefits are provided.

J S F Dunlop
Agreement
Retainer payable to John S Dunlop & Associates Pty Ltd, in which Mr Dunlop has a substantial financial interest, of $94,000 per annum plus $12,500 for committee membership ($5,000 per annum for membership of specified Board committee and $7,500 for chairmanship of committee) plus per diem of $1,500 per day ($1,200 per day until September 2012) up to 4 days per month averaged over a 12 month rolling period for consulting services over and above normal director duties. There were no per diem amounts paid during the period.

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

I J Gandel
Agreement
Retainer payable to Gandel Metals Pty Ltd in which Mr Gandel has a substantial financial interest of $65,000 per annum plus $10,000 per annum for membership of specified Board committees ($5,000 per annum for each committee) plus per diem of $1,500 per day ($1,200 per day until September 2012) up to 4 days per month for consulting services over and above normal director duties. There were no per diem amounts paid during the period.

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

A D Lethlean
Agreement
Retainer payable to Rocky Rises Pty Ltd, in which Mr Lethlean has a substantial financial interest, of $65,000 per annum plus $12,500 for committee memberships ($5,000 per annum for membership of specified Board committee and $7,500 for chairmanship of committee) plus per diem of $1,500 per day ($1,200 per day until September 2012) up to 4 days per month for consulting services over and above normal director duties. There were no per diem amounts paid during the period.

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

D. Share-based payments (audited)

Performance Rights Plan
On 17 May 2011, shareholders approved the Alkane Resources Performance Rights Plan. This employee incentive scheme was designed to assist in the recruitment, reward, retention and motivation of Eligible Employees. Non-executive directors are excluded from participation in the Plan.

The Board may from time to time in its absolute discretion decide that an Eligible Employee is eligible to participate in the Plan and may invite them to apply for Performance Rights. Each Performance Right will represent a right to acquire one Share, subject to the terms of the Plan.

Each invitation will set out, amongst other things, the number of Performance Rights the Eligible Employee is invited to apply for, the performance criteria to which those Performance Rights will be subject, and the period of time over which the Performance Criteria must be satisfied (Performance Period), before the Performance Rights can vest.

A Performance Right granted to a Participant under the Plan is granted for no consideration. If Performance Rights vest under the Plan, no amount is payable by a Participant in respect of those Performance Rights vesting, or the subsequent issue of shares in respect of them.

A Participant does not have a legal or beneficial interest in any Share by virtue of acquiring or holding a Performance Right. A Participant's rights under a Performance Right are purely contractual and personal. In particular, a Participant is not entitled to participate in or receive any dividends or other shareholder benefits until the Performance Right has vested and a share has been issued to the Participant.

Directors' Report (continued)

REMUNERATION REPORT (continued)
D. Share-based payments (audited) (continued)

A Performance Right granted to a Participant will vest:
- at the end of the Performance Period upon the Board giving written notice to the relevant Participant of the number of Performance Rights in respect of which the Performance Criteria were satisfied over the Performance Period; or
- if the Board allows early vesting as a result of an event such as a takeover bid or scheme of arrangement.

A Performance Right granted will lapse on the earliest to occur of:
- the end of the Performance Period if the Performance Criteria relating to the Performance Right have not been satisfied;
- the Participant purporting to transfer a Performance Right or grant a security interest in or over, or otherwise purporting to dispose of or deal with, a Performance Right or interest in it (except where the Board has consented to a transfer or the Performance Right is transferred by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy);
- the Participant ceasing employment (except in certain circumstances classified as a Qualifying Reason);
- if in the opinion of the Board, the Participant has acted fraudulently or dishonestly or in breach of his or her obligations to the Company or any of its subsidiaries, and the Board determining that the Performance Rights held by the Participant should lapse;
- an event such as a takeover bid or scheme of arrangement occurring (in certain circumstances subject to the Board's discretion); and
- the date that is seven years after the grant of the Performance Right.

Although the Board has discretion to determine the number of Performance Rights granted to an Eligible Employee, broadly, the maximum number of securities which may be issued under the Plan (and any other employee share scheme operated by the Company) in a 5 year period is limited to 5% of the issued Shares of the Company (calculated at the date of the invitation under the Plan), subject to a range of exclusions, including, for example, securities issued under a disclosure document or issues that do not require disclosure under Chapter 6D of the Corporations Act because of section 708 of the Corporations Act.

No Performance Rights have been issued under the Plan during the year or to the date of this report.

Shares granted during the year
307,500 shares were issued to employees and contractors during the year. 237,500 shares were issued to employees, 10,000 were issued to contractors, with the remaining 60,000 shares being issued to Mineral Administration Services Pty Ltd, a company with which Mr Colless and Miss Brown (the Joint Company Secretaries) are associated in its capacity as the provider of company secretarial and administration services.

Options granted during the year
No options were granted to the directors or to employees during the year.

E. Additional information (audited)

Shares issued on the exercise of options
There were no ordinary shares of Alkane Resources Ltd issued during the year ended 31 December 2012 on the exercise of options.

No further shares have been issued since that date. All shares on issue are fully paid.

Key Management Personnel
Other than the Managing Director, Chief Financial Officer and Company Secretaries, there were no other key management personnel during the financial year.

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

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

Directors' Report (continued)

INSURANCE OF OFFICERS AND AUDITORS (Continued)
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 or agreed to indemnify an officer or auditor of the Group or of any related body corporate, against a liability incurred as such by an officer or auditor.

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

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES
Auditor's Independence -Section 307C

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

"Dear Sirs,

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

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2012 financial statements; and

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

Frank Vrachas (Lead auditor)
Rothsay Chartered Accountants"
Dated 18 March 2013

Non-Audit Services
The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 23, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

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

Signed in accordance with a resolution of the Directors.

D I Chalmers
Director
Dated at Perth this 18th day of March 2013

Statement of Comprehensive Income

For The Year Ended 31 December 2012

	Note	Consolidated 2012 $'000	2011 $'000
Revenue from continuing operations			
Gains recognised from sale of investments		**93,061**	-
Gains recognised from sale of assets		**-**	29
Interest received or due and receivable		**3,611**	889
Other revenue		**44**	43
		96,716	961
Expenses from continuing operations			
Office rent and outgoings		**(173)**	(157)
Share registry and filing fees		**(167)**	(187)
Directors' fees and salaries expensed		**(461)**	(421)
Professional fees and consulting services		**(1,493)**	(916)
Employee remuneration and benefits		**(506)**	(230)
Share based payments		**(248)**	-
General and administration expenses		**(778)**	(502)
Finance costs		**-**	(112)
Depreciation		**(78)**	(55)
Peak Hill minesite maintenance and rehabilitation		**(131)**	(145)
Exploration expenditure provided for or written off		**(1,325)**	(1,023)
		(5,360)	(3,748)
Profit/(Loss) before income tax		**91,356**	(2,787)
Income tax expense	2	**(24,821)**	-
Profit/(Loss) for the year after income tax		**66,535**	(2,787)
Other comprehensive income			
Changes in fair value of available for sale investments, net of tax		**(3,676)**	-
Total comprehensive income/(loss) for the year		**62,859**	(2,787)
Comprehensive income/(loss) is attributable to:			
Members of Alkane Resources Ltd		**62,859**	(2,787)
Minority interests		**-**	-
		62,859	(2,787)
Profit/(Loss) is attributable to:			
Members of Alkane Resources Ltd	16	**66,535**	(2,787)
Minority interests		**-**	-
		66,535	(2,787)
Earnings per share attributable to the ordinary equity holders of the Company	20	**$0.19**	($0.01)

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 31 December 2012

	Note	Consolidated 2012 $'000	2011 $'000
Current Assets			
Cash and cash equivalents	17	**79,715**	9,805
Receivables	3	**1,431**	686
Available for sale financial assets	4	**89,425**	2
Total Current Assets		**170,571**	10,493
Non-Current Assets			
Property, plant and equipment	5	**19,678**	5,135
Exploration and evaluation	6	**66,556**	49,003
Other financial assets	7	**4,005**	519
Total Non-Current Assets		**90,239**	54,657
Total Assets		**260,810**	65,150
Current Liabilities			
Trade and other payables	8	**525**	2,102
Provisions	9	**216**	134
Total Current Liabilities		**741**	2,236
Non-Current Liabilities			
Deferred tax liability	2	**23,476**	-
Provisions	9	**235**	211
Total Non-Current Liabilities		**23,711**	211
Total Liabilities		**24,452**	2,447
Net Assets		**236,358**	62,703
Equity			
Contributed equity	10	**192,156**	82,002
Other reserves	11	**(3,034)**	-
Retained earnings	11	**47,236**	(19,299)
Total Equity		**236,358**	62,703

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Consolidated	Note	Attributable to members of Alkane Resources Ltd Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2011		62,080	-	(16,512)	45,568
Total loss for the year		-	-	(2,787)	(2,787)
Contributions of equity, net of transaction costs	10	19,922	-	-	19,922
Balance at 31 December 2011		82,002	-	(19,299)	62,703

Consolidated	**Note**	**Attributable to members of Alkane Resources Ltd** **Contributed equity** **$'000**	**Reserves** **$'000**	**Retained earnings** **$'000**	**Total equity** **$'000**
Balance at 1 January 2012		**82,002**	**-**	**(19,299)**	**62,703**
Total profit for the year		**-**	**-**	**66,535**	**66,535**
Other comprehensive loss for the year		**-**	**(3,676)**	**-**	**(3,676)**
Contributions of equity, net of transaction costs	10	**110,154**	**-**	**-**	**110,154**
Options issued		**-**	**642**	**-**	**642**
Balance at 31 December 2012		**192,156**	**(3,034)**	**47,236**	**236,358**

The accompanying notes form part of these financial statements

Statement of Cash Flows

For The Year Ended 31 December 2012

	Note	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash Flows from Operating Activities			
Rent received		**42**	47
Payments to suppliers (inclusive of goods and services tax)		**(2,544)**	(1,725)
R&D tax refund received		**1,423**	-
Interest received		**3,320**	922
Net cash inflow/(outflow) from operating activities	18	**2,241**	(756)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(7,387)**	(337)
Proceeds from sale of property, plant and equipment		**-**	28
Refund of security deposits		**22**	-
Payments for security deposits		**(3,629)**	(7)
Grant received		**550**	-
Cash held by subsidiary disposed of		**(6)**	-
Payments for exploration expenditure		**(10,901)**	(10,946)
Payments for development expenditure		**(12,998)**	(2,654)
Net cash outflow from investing activities		**(34,349)**	(13,916)
Cash Flows from Financing Activities			
Proceeds from issue of shares and options		**106,924**	21,000
Cost of share issues		**(4,906)**	(1,078)
Net cash inflow from financing activities		**102,018**	19,922
Net increase in cash and cash equivalents		**69,910**	5,250
Cash and cash equivalents at the beginning of the financial year		**9,805**	4,555
Cash and cash equivalents at the end of the financial year	17	**79,715**	9,805
Non-cash investing and financing activities	24		

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For The Year Ended 31 December 2012

1. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) **Basis of preparation**

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

The financial report is presented in Australian Dollars, which is the Group's presentation currency and is prepared in accordance with the historical cost basis. All values are rounded to the nearest thousand dollars ($'000), unless otherwise stated, under the option available to the company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Separate financial statements for Alkane Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Alkane Resources Limited as an individual entity is included in Note 15.

Compliance with IFRSs

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

Historical cost convention

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

b) **Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alkane Resources Ltd ("the Company") as at 31 December 2012 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Alkane Resources Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

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

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

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

c) **Income tax**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

Notes to the Financial Statements

For The Year Ended 31 December 2012

1. Statement of Accounting Policies (Continued)

c) **Income tax (continued)**

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

d) **Goods and services tax (GST)**

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

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

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

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

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

e) **Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been indentified as the full Board of Directors.

The Group has identified only one reportable segment as exploration and development activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, for the Group's mineral assets in this geographic location. There has been no change in the number of reportable segments presented in the prior year.

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables

f) **Revenue recognition**

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

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

g) **Government grants**

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

Notes to the Financial Statements

For The Year Ended 31 December 2012

1. Statement of Accounting Policies (Continued)

g) **Government grants (Continued)**

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to the purchase of assets are netted off against the cost of the asset and recognised in profit and loss over the expected lives of the related assets.

h) **Royalties and other mining imposts**

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

i) **Cash and cash equivalents**

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

j) **Trade and other receivables**

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

k) **Fair value estimation**

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

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

l) **Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Land is not depreciated. Depreciation on plant and equipment is calculated on a straight line basis to write off the net cost of each asset during their expected useful life as follows:

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

Gains and losses on disposals are determined by comparing proceeds with carrying values. These are included in the profit and loss.

m) **Investments and other financial assets**

<u>Classification</u>

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

Notes to the Financial Statements

For The Year Ended 31 December 2012

1. Statement of Accounting Policies (Continued)

m) **Investments and other financial assets (Continued)**

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

iii) Held-to-maturity investments

Held-to-Maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are no longer recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in fair value of the financial assets at fair value through profit or loss category are presented in the profit and loss in the period in which they arise.

Available-for-sale financial assets are subsequently carried at fair value. Gains or losses arising from changes in fair value are presented in the statement of comprehensive income in the period in which they arise.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or 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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Notes to the Financial Statements

For The Year Ended 31 December 2012

1. Statement of Accounting Policies (Continued)

m) **Investments and other financial assets (Continued)**

Derivative financial instruments

Derivative financial instruments are used by the Group to protect against the Group's Australian dollar gold price risk exposures. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives that meet the purchase/sale exemption because physical goods will be delivered into the contract will be accounted for as sale contracts with revenue recognised once the goods has been delivered or the contracts are rolled over.

n) **Impairment of assets**

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

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

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

o) **Trade payables**

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

p) **Provisions**

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

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.

q) **Leases**

Leases of property, plant and equipment where the Group has substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term. The Group has no finance leases.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Notes to the Financial Statements

For The Year Ended 31 December 2012

1. Statement of Accounting Policies (Continued)

r) **Joint ventures**

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

s) **Exploration expenditure**

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

i) the area has proven commercially recoverable reserves; or

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

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

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

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

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

t) **Restoration, rehabilitation and environment expenditure**

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

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

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

u) **Employee benefits**

Wages and salaries, annual leave and sick leave

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

Long service leave

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

Notes to the Financial Statements

For The Year Ended 31 December 2012

1. Statement of Accounting Policies (Continued)

u) **Employee benefits (Continued)**

Superannuation

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

Redundancy

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

v) **Contributed equity**

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

w) **Earnings per share**

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

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

x) **Share based payments**

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

y) **Comparative figures**

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

z) **New accounting standards and interpretations**

The Group has adopted the following new and amended Australian Accounting Standards and interpretations as of 1 January 2012:

Affected Standard	Nature of Change to Accounting Policy	Application *
AASB 1054 Australian additional disclosures Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project	Sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards.	1 July 2011
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Asset	Makes amendments to AASB 7 Financial Instruments: Disclosures resulting from the IASB's comprehensive review of balance sheet activities.	1 July 2011
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	Amends AASB 112 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in AASB 140 Investment Property will, normally, be through sale.	1 Jan 2012
AASB 2010-9 Amendments to Australian Accounting Standards – Hyper-Inflation and Removal of Fixed Dates for First Time Adopters	Amends AASB 1 First-time Adoption of Australian Accounting Standards.	1 July 2011

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

Notes to the Financial Statements

For The Year Ended 31 December 2012

1. Statement of Accounting Policies (Continued)

z) **New accounting standards and interpretations (continued)**

The following Applicable Australian Accounting Standards have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2012. The Group has not been able to fully assess the impact of these revised standards:

- AASB 119 Employee Benefits
- AASB 127 Separate Financial Statements
- AASB 128 Investments in Associates and Joint Ventures
- AASB 9 Financial Instruments
- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Separate Financial Statements
- AASB 13 Fair Value Measurement
- AASB 2010-10 Amendments to Australian Accounting Standards –Removal of Fixed Dates for First Time Adopters
- AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to AASB 10
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB13
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income
- AASB 2011-11Amendments to AASB 119 arising from Reduced Disclosure Requirements
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-02 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.
- Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures: Offsetting Financial Assets and Financial Liabilities
- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2012-4 Amendments to Australian Accounting Standards – Government Loans
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements Cycle

aa) **Parent entity financial information policy**

The financial information for the parent entity, disclosed in note 15 has been prepared on the same basis as the consolidated financial statements, except in relation to investments in subsidiaries, associates and joint venture entities. Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the Company, and assessed at each reporting date for any indications of impairment.

ab) **Critical accounting estimates and judgements**

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

i) Significant accounting judgements

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

Capitalisation of exploration and evaluation expenditure

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

Notes to the Financial Statements

For The Year Ended 31 December 2012

1. Statement of Accounting Policies (Continued)

ab) Critical accounting estimates and judgements (Continued)

ii) *Significant accounting estimates and assumptions*

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

Impairment of capitalised exploration and evaluation expenditure

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

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

As at 31 December 2012, the carrying value of exploration expenditure of the group is $66,556,001.

Impairment of available-for-sale financial assets

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

Income taxes

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

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

Notes to the Financial Statements

For The Year Ended 31 December 2012

	Consolidated 2012 $'000	2011 $'000
2. Income Tax Expense		
a) Income tax expense		
Current tax	**(1,423)**	-
Deferred tax	**26,244**	-
Total income tax expense	**24,821**	-
b) Reconciliation of income tax expense to prima facie tax payable		
Profit/(Loss) from continuing operations before income tax expense	**91,356**	(2,787)
Prima facie tax expense/(benefit) at 30% (2011: 30%)	**27,407**	(836)
Add tax effect of:		
Other non-deductible items	**3,249**	-
Adjustments in respect of deferred income tax of previous years	**-**	11,696
Less tax effect of:		
Non-assessable income	**(1,423)**	-
Recognition of previously unrecognised prior year tax losses	**(4,029)**	(10,860)
Recognition of previously unrecognised prior year capital losses	**(8)**	-
Tax benefits of deductible equity raising costs	**(375)**	-
Income tax expense attributable to entity	**24,821**	-
c) Recognised deferred tax assets comprising the following:		
Carry forward revenue losses	**17,664**	15,432
Carry forward capital losses	**8**	-
Property, plant and equipment	**150**	-
Capital raising and future blackhole deductions	**1,289**	-
Provisions and accruals	**142**	103
Other	**114**	-
Gross recognised deferred tax assets	**19,367**	15,535
Set-off against deferred tax liabilities	**(19,367)**	(15,535)
Net recognised deferred tax assets	**-**	-
Recognised deferred tax liabilities comprising the following:		
Exploration expenditure	**(17,296)**	(15,535)
Available for sale financial investments	**(25,448)**	-
Other	**(99)**	-
Gross recognised deferred tax liabilities	**(42,843)**	(15,535)
Set-off of deferred tax assets	**19,367**	15,535
Net recognised deferred tax liabilities	**(23,476)**	-
d) Deferred tax recognised directly in equity		
Relating to equity raising costs	**(1,193)**	-
Relating to revaluations of investments	**(1,575)**	-
	(2,768)	-

Notes to the Financial Statements

For The Year Ended 31 December 2012

	Consolidated 2012 $'000	Consolidated 2011 $'000
3. Trade and Other Receivables (Current)		
Other receivables	**565**	351
GST receivable	**866**	335
	1,431	686
4. Available for Sale Financial Assets (Current)		
Listed securities - equity securities		
Opening balance at 1 January	**2**	3
Additions during the year	**94,675**	-
Changes in fair value	**(5,252)**	(1)
Closing balance at 31 December	**89,425**	2

5. Property, Plant and Equipment

	Land and buildings	Plant and equipment	Assets under construction	Other mining assets	Total
Reconciliation of cost - 2012					
Opening balance at 1 January	**2,166**	**383**	**1,737**	**1,044**	**5,330**
Acquisitions	**6,291**	**306**	**9,036**	**-**	**15,633**
Disposal of subsidiary	**(1,012)**	**-**	**-**	**-**	**(1,012)**
Disposals	**-**	**(16)**	**-**	**-**	**(16)**
Closing balance at 31 December	**7,445**	**673**	**10,773**	**1,044**	**19,935**
Reconciliation accumulated depreciation - 2012					
Opening balance at 1 January	**3**	**192**	**-**	**-**	**195**
Disposals	**-**	**(16)**	**-**	**-**	**(16)**
Depreciation	**1**	**77**	**-**	**-**	**78**
Closing balance at 31 December	**4**	**253**	**-**	**-**	**257**
Carrying value - 2012	**7,441**	**420**	**10,773**	**1,044**	**19,678**
Reconciliation of cost - 2011					
Opening balance at 1 January	1,946	442	107	20	2,515
Acquisitions	220	119	1,630	1,024	2,993
Disposals	-	(178)	-	-	(178)
Closing balance at 31 December	2,166	383	1,737	1,044	5,330
Reconciliation accumulated depreciation - 2011					
Opening balance at 1 January	2	316	-	-	318
Disposals	-	(178)	-	-	(178)
Depreciation	1	54	-	-	55
Closing balance at 31 December	3	192	-	-	195
Carrying value - 2011	2,163	191	1,737	1,044	5,135

6. Exploration and Evaluation (Non-current)	Consolidated 2012 $'000	Consolidated 2011 $'000
Opening balance at 1 January	**49,003**	39,140
Expenditure during the period	**19,380**	10,886
Disposal of subsidiary	**(502)**	-
Net gain (loss) from fair value adjustment	**(1,325)**	(1,023)
Closing balance at 31 December	**66,556**	49,003

Notes to the Financial Statements

For The Year Ended 31 December 2012

6. Exploration and Evaluation (Continued)

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

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

	Consolidated	
	2012	2011
	$'000	$'000
7. Other Financial Assets (Non-Current)		
Interest bearing security deposits	**4,005**	519

Deposits held by financial institutions as security for rehabilitation obligations as required under the respective exploration and mining leases.

	Consolidated	
	2012	2011
	$'000	$'000
8. Trade and Other Payables (Current Liabilities)		
Trade and other payables	**525**	2,102
9. Provisions (Current Liabilities)		
Provision for employee benefits	**216**	134
Provisions (Non-Current Liabilities)		
Provision for employee benefits	**235**	211

10. Contributed Equity

	Parent entity			
	2012		**2011**	
	Number	**$'000**	**Number**	**$'000**
Share capital				
Ordinary shares – Fully paid	**372,539,000**	**192,156**	269,028,158	82,002
Movements in ordinary share capital				
Opening balance at 1 January	**269,028,158**	**82,002**	249,028,158	62,080
Share based payments	**6,307,500**	**6,668**	-	-
Rights issue	**26,903,342**	**29,594**	-	-
Placement of shares	**70,300,000**	**77,330**	20,000,000	21,000
Closing balance at 31 December	**372,539,000**	**195,594**	269,028,158	83,080
Less: Costs of issues	**-**	**(3,438)**	-	(1,078)
Balance per Statement of Financial Position	**372,539,000**	**192,156**	269,028,158	82,002

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

Notes to the Financial Statements
For The Year Ended 31 December 2012

10. Contributed Equity (Continued)

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, issue new shares or sell assets to reduce debt.

Options

Information relating to options, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in note 26.

	Consolidated	
	2012	2011
	$'000	$'000
11. Retained Profits and Reserves		
Reserves		
Share based payment reserve	**642**	-
Available for sale financial asset reserve	**(3,676)**	-
	(3,034)	-
Share based payment reserve		
Balance 1 January	**-**	-
Options expense - gross	**917**	-
Deferred tax	**(275)**	
Balance 31 December	**642**	-
Available for sale financial asset reserve		
Balance 1 January	**-**	-
Change in fair value of available for sale financial assets - gross	**(5,252)**	-
Deferred tax	**1,576**	
Balance 31 December	**(3,676)**	-
Retained earnings		
Balance 1 January	**(19,299)**	(16,512)
Profit/(Loss) for the year after income tax expense	**66,535**	(2,787)
Balance 31 December	**47,236**	(19,299)

Nature and purpose of reserves

The share based payments reserve is used to recognise the fair value of options issued but not yet exercised.

The available for sale financial asset reserve is used to recognise the changes in fair value of available-for-sale financial assets.

12. Key Management Personnel Disclosure

A) Directors

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

Alkane Resources Ltd
John S F Dunlop, D Ian Chalmers, Ian J Gandel and Anthony D Lethlean

Tomingley Holdings Pty Ltd, Tomingley Gold Operations Pty Ltd
John S F Dunlop, D Ian Chalmers, Ian J Gandel and Anthony D Lethlean

Kiwi Australian Resources Pty Ltd, Australian Zirconia Ltd
D Ian Chalmers, Lindsay A Colless and Ian J Gandel

LFB Resources NL (subsidiary to November 2012)
D Ian Chalmers, Lindsay A Colless and Ian J Gandel

Skyray Properties Ltd (BVI)
G Menzies

Notes to the Financial Statements

For The Year Ended 31 December 2012

12. Key Management Personnel Disclosure (Continued)

B) Other key management personnel

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

L A Colless – Company Secretary/Chief Financial Officer (until 29 October 2012)
K E Brown – Joint Company Secretary
M Ball – Chief Financial Officer (from 29 October 2012)

C) Transactions with key management personnel

Administration, accounting and company secretarial fees of $276,704 were paid or due and payable to a company in which Mr Colless and Miss Brown have substantial financial interests for services provided in the normal course of business and at normal commercial rates.

D) Outstanding balances

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

Current payables	$
a) A D Lethlean	7,104
b) I J Gandel	13,750
c) J S Dunlop	1,203
d) L A Colless & K E Brown	21,917

E) Equity instrument disclosures relating to key management personnel

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

Name	**Shares held directly**	**Shares held indirectly**
A D Lethlean	-	433,396
D I Chalmers	4,990	2,163,864
I J Gandel	-	91,557,875
J S Dunlop	-	836,000
L A Colless	26,846	550,000[(a)]
K E Brown	64,157	275,000[(a)]
L A Colless & K E Brown in joint interests	-	373,335[(b)]

(a) Held by MAS Superfund and other related parties for the benefit of the respective key management personnel
(b) Held in the name of Mineral Administration Services Pty Ltd, a company in which Mr. Colless and Miss Brown are directors and shareholders.

2012 Name	**Balance at the start of the year**	**Changes during the year**	**Issued during the year on exercise of options**	**Balance at the end of the year**
Shares				
Directors				
A D Lethlean	**393,996**	**39,400**	**-**	**433,396**
D I Chalmers	**1,971,684**	**197,170**	**-**	**2,168,854**
I J Gandel	**70,911,964**	**20,645,911**	**-**	**91,557,875**
J S Dunlop	**760,000**	**76,000**	**-**	**836,000**
Key Management Personnel				
L A Colless	**524,405**	**52,441**	**-**	**576,846**
K E Brown	**308,324**	**30,833**	**-**	**339,157**
L A Colless & K E Brown in joint interests	**284,849**	**88,486**	**-**	**373,335**
Total shares	**75,155,222**	**21,130,241**	**-**	**96,285,463**

Notes to the Financial Statements

For The Year Ended 31 December 2012

12. Key Management Personnel Disclosure (Continued)

2011 Name	Balance at the start of the year	Changes during the year	Issued during the year on exercise of options	Balance at the end of the year
Shares				
Directors				
A D Lethlean	393,996	-	-	393,996
D I Chalmers	1,971,684	-	-	1,971,684
I J Gandel	70,911,964	-	-	70,911,964
J S Dunlop	760,000	-	-	760,000
Key Management Personnel				
L A Colless	524,405	-	-	524,405
K E Brown	358,324	(50,000)	-	308,324
L A Colless & K E Brown in joint interests	284,849	-	-	284,849
Total shares	75,205,222	-	-	75,155,222

F) Key management personnel compensation

	2012 **$'000**	2011 $,000
Short term employee or consulting benefits	**934**	987
Post-employment benefits	**43**	16
Long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**48**	-
	1,025	1,003

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

G) Related party transactions

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

13. Segmental Information

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

Notes to the Financial Statements

For The Year Ended 31 December 2012

14. Related Party Transactions – Directors

Type of transaction	Related party Directors	Terms and conditions	Consolidated 2012 $'000	Consolidated 2011 $'000
Management consulting	J S F Dunlop	Normal commercial	**-**	4
Director's retainer			**107**	107
Geological consulting, including geological and technical support staff	D I Chalmers	Normal commercial	**-**	299
Director's retainer			**392**	223
Director's consulting	I J Gandel	Normal commercial	**-**	20
Director's retainer			**81**	75
Directors' retainer	A D Lethlean	Normal commercial	**78**	78

15. Parent Entity Disclosures

	Parent Entity 2012 $'000	Parent Entity 2011 $'000
Financial Position		
Assets		
Current assets	**170,586**	10,259
Non-current assets	**88,067**	54,094
Total assets	**258,653**	64,353
Liabilities		
Current liabilities	**460**	1,438
Non-current liabilities	**10,418**	211
Total liabilities	**10,878**	1,649
Equity and Reserves		
Issued capital	**192,156**	82,002
Accumulated profits/(losses)	**58,653**	(19,299)
Reserves	**(3,034)**	-
Total equity	**247,775**	62,704
Financial Performance		
Profit/(loss) for the year	**77,952**	(2,653)
Other comprehensive income	**(3,676)**	-
Total comprehensive income	**74,276**	(2,653)

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

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

	2012	2011
Balance at 1 January	**(9,256)**	(9,139)
Impairment reversal/(loss)	**5,841**	(117)
Balance at 31 December	**(3,415)**	(9,256)

Whilst the loans were not payable as at 31 December 2012, a provision for impairment based on the subsidiaries financial position was made. The balance of this provision may vary due to the ability of a subsidiary to repay the loan at reporting date.

Notes to the Financial Statements

For The Year Ended 31 December 2012

16. Controlled Entities

Name	Place of Incorporation	Class of Shares	2012 %	2011 %
Australian Zirconia Ltd	Western Australia	Ordinary	**100**	100
Skyray Properties Ltd	British Virgin Islands	Ordinary	**100**	100
Kiwi Australian Resources Pty Ltd	Western Australia	Ordinary	**100**	100
LFB Resources NL	New South Wales	Ordinary	**-**	100
Tomingley Holdings Pty Ltd	New South Wales	Ordinary	**100**	-
Tomingley Gold Operations Pty Ltd	New South Wales	Ordinary	**100**	-

17. Reconciliation of Cash

	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank	**6,215**	9,520
Call deposits	**73,500**	285
Cash and cash equivalents	**79,715**	9,805

Cash at bank bears a weighted average interest rate of 4.27% (2011: 3.29%). Refer to Note 22 for details of credit risk.

18. Reconciliation of Net Cash Inflow From Operating Activities to Operating Loss After Income Tax

	Consolidated 2012 $'000	Consolidated 2011 $'000
Operating Profit/(Loss)	**66,535**	(2,787)
Non-cash items in operating profit		
Depreciation and amortisation	**78**	55
Share-based payments	**248**	-
Gains recognised from sale of investments	**(93,061)**	-
Gains recognised from sale of assets	**-**	(29)
Exploration costs provided for or written off	**1,325**	1,082
Changes in net assets and liabilities		
Decrease/(increase) in trade and other receivables	**851**	(248)
Decrease/(increase) in trade and other payables	**(85)**	1,105
Decrease/(increase) in provisions	**106**	66
Decrease/(increase) in deferred tax liability	**26,244**	-
Net cash inflow/(outflow) from operating activities	**2,241**	(756)

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

19. Subsequent Events

In February 2013, the Group was advised by the NSW Department of Trade and Investment, Division of Resources and Energy that the Mining Lease for the Tomingley Gold Project was approved.

No other matter or circumstance has arisen since 31 December 2012 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2012.

Notes to the Financial Statements

For The Year Ended 31 December 2012

20. Earnings per Share

	2012 $'000	2012 $'000
Basic earnings per share		
(a) Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**66,535**	(2,787)

	2012 Number	2011 Number
(b) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**345,597,536**	266,398,021

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

21. Commitments

Mineral tenement leases

In order to maintain current rights of tenure to mining tenements, the Group will be required to outlay in 2012 amounts of approximately $581,000 (2012 $994,000) in respect of tenement lease rentals and exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in the normal course of operations.

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

	Consolidated	
	2012 $'000	2011 $'000
Within one year	**581**	994
Later than one year but less than five years	**1,400**	1,064
Later than five years	**1,063**	1,312
	3,044	3,370

Acquisitions of property, plant and equipment

In anticipation of development approvals for the Tomingley Gold Project, the Group initiated orders for certain long lead capital items. Commitments for acquisitions of property, plant and equipment not recognised as a liability in the financial statements are as follow:

	Consolidated	
	2012 $'000	2011 $'000
Within one year		
Acquisitions of capital equipment	**17,182**	4,066

Physical gold delivery commitments

The Group is exposed to movements in the gold price. As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financier, the Group enters into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold. It is management's intention to settle each contract through physical delivery of gold.

The gold forward sale contracts disclosed below do not meet the criteria of financial instruments for accounting purposes on the basis that they meet the normal purchase/sale exemption because physical gold will be delivered into the contract. Accordingly, the contracts will be accounted for as sale contracts with revenue recognised once the gold has been delivered or the contracts are rolled over.

Notes to the Financial Statements

For The Year Ended 31 December 2012

21. Commitments (Continued)

31 December 2012	Gold for physical delivery ounces	Contracted gold sale price per ounce - $	Value of committed sales $'000
Within one year:			
Fixed forward contracts	**90,000**	**1,458.20**	**131,238**
31 December 2011			
Within one year:			
Fixed forward contracts	90,000	1,444.10	129,969

The Group has no other gold sale commitments. The Group has a contingent liability of the difference between the hedge price and the spot price of gold if the forwards are not settled through physical delivery of gold.

22. Financial Risk Management

Overview:
The Company and Group have exposure to the following risks from their use of financial instruments:
(a) credit risk
(b) liquidity risk
(a) market risk

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

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

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

(i) Investments:
The Group limits its exposure to credit risk by only investing with counterparties that have an acceptable credit rating.

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

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

<u>Exposure to credit risk:</u>
The carrying amount of the Group's financial assets represents the maximum credit exposure.

Notes to the Financial Statements

For The Year Ended 31 December 2012

22. Financial Risk Management (Continued)

(a) Credit risk (Continued):

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

	Consolidated Carrying amount	
	2012	2011
	$'000	$'000
Cash and cash equivalents	**79,715**	9,805
Trade and other receivables	**1,431**	686
Available for sale financial assets	**89,425**	2
Other financial assets	**4,005**	519
Total exposure	**174,576**	11,012

None of the Group's other receivables are past due (2011: nil).

Impairment losses:

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

	Consolidated Carrying amount	
	2012	**2011**
	$'000	**$'000**
Balance at 1 January	**149**	148
Impairment loss/(reversal) recognised	**5,252**	1
Balance at 31 December	**5,401**	149

(b) Liquidity risk:

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

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

(b) Liquidity risk (continued):

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

	Weighted Average Effective Interest Rate %	Interest bearing $'000	Non-interest Bearing $'000	Total $'000
2012				
Financial assets				
Cash and cash equivalents	**4.27**	**79,709**	**6**	**79,715**
Other financial assets	**4.39**	**4,005**	**-**	**4,005**
Available for sale financial assets	**-**	**-**	**89,425**	**89,425**
Trade and other receivables	**-**	**-**	**1,431**	**1,431**
		83,714	**90,862**	**174,576**
Financial liabilities				
Trade and other payables	**-**	**-**	**(525)**	**(525)**
		-	**(525)**	**(525)**

Notes to the Financial Statements

For The Year Ended 31 December 2012

22. Financial Risk Management (Continued)

(b) Liquidity risk (continued):

	Weighted Average Effective Interest Rate %	Interest bearing $'000	Non-interest Bearing $'000	Total $'000
2011				
Financial assets				
Cash and cash equivalents	5.00	9,785	20	9,805
Other financial assets	4.95	509	10	519
Available for sale financial assets	-	-	2	2
Trade and other receivables	-	-	686	686
		10,294	718	11,012
Financial liabilities				
Trade and other payables	-	-	(2,102)	(2,102)
		-	(2,102)	(2,102)

(c) Market Risk:

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

(i) Currency risk:

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

(ii) Price risk

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

The table below summarises the impact of increases/decreases of the securities prices on the Group's and the Company's profit for the year and on equity. The analysis is based on the assumption that the price of securities increased/decreased by 10% (2011 – 10%) with all the other variables held constant.

Consolidated	**Profit and loss**		**Equity**	
	Increase $'000	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
2012 – 10% change	**-**	**(8,943)**	**8,943**	**-**
2011 – 10% change	-	-	-	-

iii) Interest rate risk:

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

	Consolidated	
	2012 $'000	2011 $'000
Fixed rate instruments		
Financial assets	**76,971**	6,193
Variable rate instruments		
Financial assets	**6,743**	4,101

Notes to the Financial Statements

For The Year Ended 31 December 2012

22. Financial Risk Management (Continued)

(c) Market Risk (continued):

(iii) Interest rate risk:

Fair value sensitivity analysis for fixed rate instruments:
Fixed rate instruments mature within three months of balance date.

Fair value sensitivity analysis for variable rate instruments:
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2011.

	Profit and loss		Equity	
Consolidated	**100 bp increase $'000**	**100 bp decrease $'000**	**100 bp increase $'000**	**100 bp decrease $'000**
2012				
Financial assets	**67**	**(67)**	**67**	**(67)**
2011				
Financial assets	41	(41)	41	(41)

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

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

	Consolidated	
	2012 $'000	2011 $'000
23. Auditors Remuneration		
Amount received or due and receivable by the auditor for:		
a) Audit services		
Audit and review of financial reports under the Corporations Act 2001	**53**	48
b) Non Audit services		
Taxation services	**-**	9
Total remuneration of auditors	**53**	57

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

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

24. Non-Cash Investing and Financing Activities

During the period, the Company sold its investment in subsidiary LFB Resources NL for 17,500,000 shares in Regis Resources Limited. The fair value of the consideration received at the date of sale was $94,675,000. Refer to Note 4 for details relating to the fair value of the shares at reporting date.

Notes to the Financial Statements
For The Year Ended 31 December 2012

25. Contingent Assets

The Group entered into an agreement with the New South Wales Department of Trade and Investment Regional Infrastructure Services to receive grant monies for the construction of certain infrastructure relating to the Tomingley gold project. Subject to the Group meeting all of the requirements of the agreement, the total amount of the grant to be received will be $4,000,000 (excluding GST). $500,000 (excluding GST) has been received in the current financial reporting period.

26. Share-Based Payments

Shares

During the year, 6,000,000 shares and 4,000,000 options (see details below) were issued to Compass Resources Limited in consideration for the buy-back of the production royalty in respect of any minerals and metals recovered from Exploration Licence 5675 at the Tomingley gold project. These costs were included in the cost of the relevant exploration license.

307,500 shares were also issued to employees and contractors resulting in $247,537 being expensed to profit and loss.

Shares are valued at market price (being the share price on issue date) and options were valued as described below.

Options

Set out below is a summary of the options outstanding at the end of the financial year:

Grant Date	Expiry Date	Exercise Price	Exercised during the financial period	Expired during the financial period	Balance at the end of the financial period (number)	Vested and exercisable at end of financial period (number)
15 May 2012	**15 May 2013**	**$1.50**	**-**	**-**	**4,000,000**	**4,000,000**

There were no options issued in the previous year.

Option pricing model

The fair value of options granted is estimated as at the date of grant using the Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs used:

	Consolidated	
	2012	2011
Other options		
Expected volatility (%)	**78.0%**	-
Risk-free interest rate (%)	**6.5%**	-
Expected life of option (years)	**1**	-
Option exercise price ($)	**1.50**	-
Share price ($)	**1.07**	-

Directors' Declaration

In the Directors' opinion:

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

  i) giving a true and fair view of the financial position of the Group as at 31 December 2012 and of its performance for the financial year ended on that date; and

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

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

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

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

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

D I Chalmers
Director
Perth, 18th March 2013

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALKANE RESOURCES LTD

We have audited the accompanying financial report of Alkane Resources Ltd (the Company") which comprises the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Audit opinion

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

a) (i) giving a true and fair view of the Company's and the group's financial position as at 31 December 2012 and of their performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the remuneration report included in the Directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Audit Opinion

In our opinion the Remuneration Report of Alkane Resources Ltd for the year ended 31 December 2012 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Frank Vrachas
Partner

Dated 18 March 2013