Alkane Resources Ltd

ABN 35 000 689 216

Financial report
for the year ended 30 June 2014

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Financial report - 30 June 2014

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

Alkane Resources Ltd
Corporate directory

Directors	J S F Dunlop
	D I Chalmers
	I J Gandel
	A D Lethlean
Secretary	K E Brown
	L A Colless
Principal registered office	Ground Floor 89 Burswood Road Burswood WA 6100 61 8 9227 5677
Auditor	PricewaterhouseCoopers Brookfield Place 125 St Georges Terrace Perth WA 6000 61 8 9238 3000
Stock exchange listings	ASX & OTCQX
Share and debenture register	Advanced Share Registry Limited 110 Stirling Highway Nedlands WA 6009 61 8 9389 8033
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Directors' report

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

Directors

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

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

Information on directors

John Stuart Ferguson Dunlop - Non-Executive Chairman
BE (Min), MEng SC (Min), PCertArb, FAusIMM (CP), FIMM, MAIME, MCIMM

Appointed director and chairman 3 July 2006

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

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

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

David Ian (Ian) Chalmers - Managing Director
MSc, FAusIMM, FAIG, FIMM, FSEG, MSGA, MGSA, FAICD

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

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

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

Mr Chalmers is a member of the Nomination Committee.

Information on directors (continued)

Ian Jeffrey Gandel - Non-Executive Director
LLB, BEc, FCPA, FAICD

Appointed director 24 July 2006

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

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

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

Anthony Dean Lethlean - Non-Executive Director
BAppSc (Geology)

Appointed director 30 May 2002

Mr Lethlean is a geologist with over 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers and recently retired as a principal of Helmsec Global Capital Limited. He is currently a director of Corporate Finance with stockbroking firm, BBY Ltd. Mr Lethlean is a non-executive director of Alliance Resources Limited (appointed 15 October 2003).

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

Joint company secretaries

Karen E V Brown
BEc (hons)

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

Lindsay Arthur Colless
CA, JP (NSW), FAICD

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

Dividends

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

Review of operations

Result for the year

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

Tomingley Gold Operations

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

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

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

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

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

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

Review of operations (continued)

Tomingley Gold Operations (continued)

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

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

(1) AISC = All in Sustaining Cost comprises, from the date of completion of plant commissioning on 31 January 2014, cash costs of production, royalties and other selling costs, mine exploration and sustaining capital expenditure and an allocation of corporate costs from other expenses.
(2) Based on the resource model. Both actual tonnes and grade mined are currently over-reconciling significantly compared to the resource model as mentioned previously.

Dubbo Zirconia Project

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

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

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

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

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

Review of operations (continued)

Dubbo Zirconia Project (continued)

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

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

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

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

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

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

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

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

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

Exploration

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

Review of operations (continued)

Corporate

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

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

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

Significant changes in the state of affairs

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

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

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

Events since the end of the financial year

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

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

Likely developments and expected results of operations

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

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

Environmental regulation

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

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

Mining and construction activities

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

Exploration activities

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

Meetings of directors

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

	Full meetings of directors		Meetings of committees					
			Audit		Nomination		Remuneration	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
J S F Dunlop	12	13	4	4	2	2	3	3
D I Chalmers	13	13	*	*	2	2	*	*
I J Gandel	12	13	4	4	2	2	3	3
A D Lethlean	13	13	4	4	2	2	3	3

* Not a member of the relevant committee

Remuneration report

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

The report contains the following sections:

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

Remuneration report (continued)

(a) Key management personnel disclosed in this report

Non-executive and executive directors	
J S F Dunlop D I Chalmers I J Gandel A D Lethlean	
Other key management personnel	
Name	**Position**
K E Brown L A Colless M Ball N Earner	Joint Company Secretary Joint Company Secretary Chief Financial Officer Chief Operations Officer

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

(b) Remuneration governance

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

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

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

(c) Use of remuneration consultants

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

Remuneration report (continued)

(c) Use of remuneration consultants (continued)

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

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

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

In addition to providing remuneration recommendations, PwC also provided assistance with other aspects of the remuneration of the group's employees, and various audit and non-audit services. Details of these services are disclosed on page 62 of this report.

(d) Executive remuneration policy and framework

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

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

The executive remuneration framework has three components:

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

(i) Executive remuneration mix

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

Remuneration report (continued)

(d) Executive remuneration policy and framework (continued)

(i) Executive remuneration mix (continued)

Executive	Position	Fixed remuneration	At risk remuneration	
			STI equity[1]	LTI opportunity[2]
I Chalmers[3]	Managing Director	80%	20%	0%
N Earner	Chief Operations Officer	80%	20%	0%
M Ball	Chief Financial Officer	80%	20%	0%

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

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

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

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

Executive	Position	Fixed remuneration	At risk remuneration	
			STI equity[1]	LTI opportunity[2]
I Chalmers[3]	Managing Director	44%	11%	44%
N Earner	Chief Operations Officer	44%	11%	44%
M Ball	Chief Financial Officer	44%	11%	44%

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

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

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

(ii) Total fixed remuneration

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

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

(iii) Incentive arrangements

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

Short-term incentives

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

Remuneration report (continued)

(d) Executive remuneration policy and framework (continued)

(iii) Incentive arrangements (continued)

Short-term incentives (continued)

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

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

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

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

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

Long-term incentives

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

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

Remuneration report (continued)

(d) Executive remuneration policy and framework (continued)

(iii) Incentive arrangements (continued)

Long-term incentives (continued)

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

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

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

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

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

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

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

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

Remuneration report (continued)

(d) Executive remuneration policy and framework (continued)

(iii) Incentive arrangements (continued)

Long-term incentives (continued)

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

TSR compound annual growth rate (CAGR)	% Share appreciation rights vesting
Less than 15% CAGR	Nil
15% CAGR	50% vesting
Above 15% CAGR up to 25% CAGR	Pro rata vesting from 50% - 100%
Above 25% CAGR	100%

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

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

(iv) Clawback policy for incentives

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

(v) Share trading policy

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

(e) Non-executive director remuneration policy

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

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

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

Remuneration report (continued)

(e) Non-executive director remuneration policy (continued)

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

	From 1 January 2013 ($ per annum)
Base fees	
Chair	125,000
Other non-executive directors	75,000
Additional fees	
Audit committee - chair	7,500
Audit committee - member	5,000
Remuneration committee - chair	7,500
Remuneration committee - member	5,000

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

(f) Voting and comments made at the company's 2013 Annual General Meeting

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

(g) Details of remuneration

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

2014 (12 months)

	Cash salary and fees $	Superannuation $	Share based payments $	Total $
Non-executive directors				
J S F Dunlop	140,045	12,954	-	152,999
I J Gandel	85,000	-	-	85,000
A D Lethlean	87,500	-	-	87,500
Total non-executive directors	**312,545**	**12,954**	**-**	**325,499**
Executive directors				
D I Chalmers	360,000	33,300	-	393,300
Other key management personnel				
L A Colless & K E Brown *	338,147	-	-	338,147
N Earner	291,666	26,979	-	318,645
M Ball	275,176	23,125	-	298,301
Total key management personnel compensation	**1,577,534**	**96,358**	**-**	**1,673,892**

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

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

Remuneration report (continued)

(g) Details of remuneration (continued)

2013 (6 months)

	Cash salary and fees $	Superannuation $	Share based payments $	Total $
Non-executive directors				
J S F Dunlop	63,073	5,677	-	68,750
I J Gandel	42,500	-	-	42,500
A D Lethlean	43,750	-	-	43,750
Sub-total non-executive directors	**149,323**	**5,677**	**-**	**155,000**
Executive directors				
D I Chalmers	180,000	16,200	41,500	237,700
Other key management personnel				
L A Colless & K E Brown *	163,544	-	-	163,544
M Ball	141,785	11,250	-	153,035
Total key management personnel compensation	**634,652**	**33,127**	**41,500**	**709,279**

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

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

	Fixed remuneration		**At risk - STI**		**At risk - LTI**	
	2014 %	2013 %	**2014 %**	2013 %	**2014 %**	2013 %
Executive directors of Alkane Resources Ltd						
I Chalmers	**100**	83	**-**	17	**-**	-
Other key management personnel						
N Earner	**100**	100	**-**	-	**-**	-
M Ball	**100**	100	**-**	-	**-**	-

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

(h) Service agreements

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

Remuneration report (continued)

(h) Service agreements (continued)

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

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

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

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

(i) Details of share based compensation and bonuses

Short term incentives

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

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

Long term incentives

There were no long term incentives granted during the year.

Remuneration report (continued)

(j) Equity instruments held by key management personnel

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

Share holdings

	Number of ordinary shares			
2014 (12 months)	**Balance at the start of the year**	**Purchased / (sold) on market**	**Share based payments**	**Balance at end of the year**
Directors of Alkane Resources Ltd				
Ordinary shares				
J S F Dunlop	836,000	100,000	-	936,000
A D Lethlean	433,396	-	-	433,396
D I Chalmers	2,268,854	150,000	-	2,418,854
I J Gandel	91,557,875	-	-	91,557,875
Other key management personnel				
Ordinary shares				
K E Brown	339,157	-	-	339,157
L A Colless	576,846	(250,000)	-	326,846
L A Colless & K E Brown joint interest	373,335	-	-	373,335

	Number of ordinary shares			
2013 (6 months)	Balance at the start of the year	Purchased / (sold) on market	Share based payments	Balance at end of the year
Directors of Alkane Resources Ltd				
Ordinary shares				
J S F Dunlop	836,000	-	-	836,000
A D Lethlean	433,396	-	-	433,396
D I Chalmers	2,168,854	-	100,000	2,268,854
I J Gandel	91,557,875	-	-	91,557,875
Other key management personnel				
Ordinary shares				
K E Brown	339,157	-	-	339,157
L A Colless	576,846	-	-	576,846
L A Colless & K E Brown joint interest	373,335	-	-	373,335

(i) Options

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

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

Indemnification and insurance of officers

Alkane Resources Ltd has entered into deeds of indemnity, access and insurance with each of the directors. These deeds remain in effect as at the date of this report. Under the deeds, the company indemnifies each director to the maximum extent permitted by law against legal proceedings or claims made against or incurred by the directors in connection with being a director of the company, or breach by the group of its obligations under the deed.

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

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

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

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

Non-audit services

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

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

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Rounding of amounts

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

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

D I Chalmers
Director
Perth

26 September 2014

Auditor's Independence Declaration

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

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

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

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

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
26 September 2014

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Alkane Resources Ltd
Consolidated statement of comprehensive income
For the year ended 30 June 2014

	Notes	**Year ended 30 June 2014 $'000**	6 months ended 30 June 2013 $'000
Continuing operations			
Revenue	2	**25,264**	1,370
Cost of sales	3	**(25,692)**	-
Gross (loss) / profit		**(428)**	1,370
Other net (expense) / income	4	**10,210**	2,638
Expenses			
Other expenses	3	**(6,921)**	(2,673)
Impairment charges	9	**(3,769)**	(98,526)
Finance charges		**(369)**	(37)
Total expenses		**(11,059)**	(101,236)
Loss before income tax		**(1,277)**	(97,228)
Income tax (expense) / benefit	5	**(4,893)**	30,810
Loss for the period after income tax		**(6,170)**	(66,418)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Changes in the fair value of available-for-sale financial assets, net of tax		**-**	3,676
Total comprehensive loss for the period		**(6,170)**	(62,742)
Total comprehensive loss for the period is attributable to:			
Owners of Alkane Resources Ltd		**(6,170)**	(62,742)
		(6,170)	(62,742)
Loss is attributable to:			
Owners of Alkane Resources Ltd		**(6,170)**	(66,418)
		(6,170)	(66,418)
		Cents	Cents
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share	21	**(1.7)**	(17.8)
Diluted earnings per share	21	**(1.7)**	(17.8)

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

Alkane Resources Ltd
Consolidated balance sheet
As at 30 June 2014

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

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

Alkane Resources Ltd
Consolidated statement of changes in equity
For the year ended 30 June 2014

	Attributable to owners of Alkane Resources Ltd			
	Contributed equity $'000	Other reserves $'000	(Restated) Retained earnings $'000	(Restated) Total $'000
Balance at 1 January 2013	192,156	(3,034)	44,565	233,687
Loss for the period	-	-	(66,418)	(66,418)
Other comprehensive income for the period, net of tax	-	3,676	-	3,676
Total comprehensive loss for the period	**-**	**3,676**	**(66,418)**	**(62,742)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	(181)	-	-	(181)
Share based payments	41	-	-	41
Options expired, net of tax	642	(642)	-	-
Total transactions with owners in their capacity as owners	502	(642)	-	(140)
Balance at 30 June 2013	**192,658**	**-**	**(21,853)**	**170,805**
Balance at 1 July 2013	192,658	-	(21,853)	170,805
Loss for the year	-	-	(6,170)	(6,170)
Total comprehensive loss for the year	**-**	**-**	**(6,170)**	**(6,170)**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	9,585	-	-	9,585
Balance at 30 June 2014	**202,243**	**-**	**(28,023)**	**174,220**

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

Alkane Resources Ltd
Consolidated statement of cash flows
For the year ended 30 June 2014

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

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

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How numbers are calculated

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

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction
(b) analysis and sub-totals, including segment information
(c) information about estimates and judgements made in relation to particular items.

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1 Segment information

(a) Segment results

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

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

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

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

2 Revenue

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

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

(a) Gold sales

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

(b) Interest income

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

(c) Dividend income

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

3 Expenses

	Year ended 30 June 2014 $'000	6 months ended 30 June 2013 $'000
Cost of sales		
Cash costs of production	**44,243**	-
Deferred stripping costs capitalised	**(14,314)**	-
Inventory product movement	**(14,802)**	-
Depreciation and amortisation	**9,918**	-
Royalties and selling costs	**647**	-
	25,692	-

	Year ended 30 June 2014 $'000	6 months ended 30 June 2013 $'000
Other expenses		
Corporate administration	**2,270**	1,000
Employee remuneration and benefits	**1,329**	293
Professional fees and consulting services	**1,472**	449
Exploration expenditure provided for or written off	**872**	371
Directors' fees and salaries	**719**	393
Peak Hill site maintenance and rehabilitation	**157**	78
Depreciation	**102**	89
	6,921	2,673

(a) Cash costs of production

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

(b) Deferred stripping costs capitalised

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

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

(c) Inventory movement

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

4 Other income and expense items

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

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

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

5 Income tax

(a) Income tax expense

	Year ended 30 June 2014 $'000	6 months ended 30 June 2013 $'000
Current tax	**(1,833)**	(1,478)
Deferred tax	**6,726**	(29,332)
Total income tax expense / (benefit)	**4,893**	(30,810)

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

5 Income tax (continued)

(b) Reconciliation of income tax expense to prima facie tax payable

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

(c) Recognised deferred tax assets comprising the following:

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

(i) Deferred tax assets

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

5 Income tax (continued)

(c) Recognised deferred tax assets comprising the following: (continued)

Movements	Tax Losses $'000	Capital raising and future blackhole deductions $'000	Property, plant and equipment $'000	Other $'000	Total $'000
At 1 January 2013	**17,672**	**1,289**	**150**	**256**	**19,367**
Charged/(credited)					
- profit or loss	**(3,209)**	**(12)**	**9,866**	**380**	**7,025**
- directly to equity	**-**	**(180)**	**-**	**-**	**(180)**
At 30 June 2013	**14,463**	**1,097**	**10,016**	**636**	**26,212**
At 30 June 2013	**14,463**	**1,097**	**10,016**	**636**	**26,212**
Charged/(credited)					
- profit or loss	**(13,131)**	**(27)**	**(1,559)**	**295**	**(14,422)**
- directly to equity	**-**	**(215)**	**-**	**-**	**(215)**
At 30 June 2014	**1,332**	**855**	**8,457**	**931**	**11,575**

(d) Recognised deferred tax liabilities comprising the following:

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

(i) Deferred tax liabilities

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

5 Income tax (continued)

(d) Recognised deferred tax liabilities comprising the following: (continued)

Movements	Exploration expenditure $'000	Available-for-sale financial assets $'000	Other $'000	Total $'000
At 1 January 2013 (restated)	**19,967**	**25,448**	**98**	**45,513**
Charged/(credited)				
- profit or loss	**(6,462)**	**(15,827)**	**(18)**	**(22,307)**
- to other comprehensive income	**-**	**1,575**	**-**	**1,575**
At 30 June 2013 (restated)	**13,505**	**11,196**	**80**	**24,781**
At 1 July 2013	**13,505**	**11,196**	**80**	**24,781**
Charged/(credited)				
- profit or loss	**2,171**	**(9,988)**	**121**	**(7,696)**
At 30 June 2014	**15,676**	**1,208**	**201**	**17,085**

(e) Deferred tax recognised directly in equity

	Year ended 30 June 2014 $'000	6 months ended 30 June 2013 $'000
Relating to equity raising costs	**215**	180
Relating to revaluation of available-for-sale asset	**-**	1,575
	215	1,755

(f) Tax losses

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

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

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

5 Income tax (continued)

(f) Tax losses (continued)

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

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

(g) Change in accounting policy

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

6 Financial assets and financial liabilities

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

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

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

6 Financial assets and financial liabilities (continued)

The group holds the following financial instruments:

	Notes	Assets at fair value $'000	Financial assets at amortised cost $'000	Total $'000
30 June 2014				
Cash and cash equivalents	6(a)	**-**	**15,569**	**15,569**
Receivables *	6(b)	**-**	**718**	**718**
Available-for-sale financial assets	6(c)	**4,945**	**-**	**4,945**
Other financial assets	6(d)	**-**	**6,736**	**6,736**
		4,945	**23,023**	**27,968**
30 June 2013				
Cash and cash equivalents	6(a)	-	64,294	64,294
Receivables *	6(b)	-	1,475	1,475
Available-for-sale financial assets	6(c)	41,083	-	41,083
Other financial assets	6(d)	-	3,671	3,671
		41,083	69,440	110,523

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

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

(a) Cash and cash equivalents

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

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

(i) Classification as cash and cash equivalents

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

6 Financial assets and financial liabilities (continued)

(b) Receivables

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

(i) Classification as receivables

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

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

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.

(ii) Fair value of receivables

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

(iii) Impairment and risk exposure

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

(c) Available-for-sale financial assets

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

6 Financial assets and financial liabilities (continued)

(c) Available-for-sale financial assets (continued)

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

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

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

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

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

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

(iii) Significant judgements

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

(iv) Fair value, impairment and risk exposure

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

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

(d) Other financial assets

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

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

6 Financial assets and financial liabilities (continued)

(e) Trade and other payables

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

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

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

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

7 Non-financial assets and liabilities

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

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

(a) Inventories

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

7 Non-financial assets and liabilities (continued)

(a) Inventories (continued)

(i) Assigning costs to inventories

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

Consumable stores include diesel, explosives and warehouse stores.

(b) Exploration and evaluation

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

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

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

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

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

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

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

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

7 Non-financial assets and liabilities (continued)

(c) Property, plant and equipment

Year ended 30 June 2014	Land and buildings $'000	Plant and equipment $'000	Capital WIP $'000	Mine properties $'000	Total $'000
Opening cost	12,374	1,051	41,606	2,380	57,411
Additions	3,018	94	60,837	19,226	83,175
Transfers between classes	9,590	68,646	(101,984)	23,748	-
Disposals	(245)	(2,342)	-	-	(2,587)
Transfers from exploration and evaluation	-	-	-	25,019	25,019
Net movement	12,363	66,398	(41,147)	67,993	105,607
Closing cost	24,737	67,449	458	70,373	163,017
Opening accumulated depreciation and impairment	(2,408)	(718)	(30,107)	(1,056)	(34,289)
Depreciation charge	(1,902)	(1,502)	-	(6,616)	(10,020)
Transfers between classes	-	(23,689)	30,107	(6,418)	-
Transfers from exploration and evaluation	-	-	-	(19,566)	(19,566)
Disposals	-	890	-	-	890
Net movement	(1,902)	(24,301)	30,107	(32,600)	(28,696)
Closing accumulated depreciation and impairment	(4,310)	(25,019)	-	(33,656)	(62,985)
Net carrying value	20,427	42,430	458	36,717	100,032

7 Non-financial assets and liabilities (continued)

(c) Property, plant and equipment (continued)

(Restated) 6 months ended 30 June 2013	Land and buildings $'000	Plant and equipment $'000	Capital WIP $'000	Mine properties $'000	Total $'000
Opening cost	7,445	673	10,773	1,044	19,935
Additions	4,929	379	30,833	1,336	37,477
Disposals	-	(1)	-	-	(1)
Net movement	4,929	378	30,833	1,336	37,476
Closing cost	12,374	1,051	41,606	2,380	57,411
Opening accumulated depreciation and impairment	(4)	(253)	-	-	(257)
Depreciation charge	(1)	(89)	-	-	(90)
Impairment charge	(2,403)	(376)	(30,107)	(1,056)	(33,942)
Net movement	(2,404)	(465)	(30,107)	(1,056)	(34,032)
Closing accumulated depreciation and impairment	(2,408)	(718)	(30,107)	(1,056)	(34,289)
Net carrying value	9,966	333	11,499	1,324	23,122

(i) Property, plant and equipment

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

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

7 Non-financial assets and liabilities (continued)

(c) Property, plant and equipment (continued)

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

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

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

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

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

(ii) Deferred stripping costs capitalised

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

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

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

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

(iii) Mine properties

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

7 Non-financial assets and liabilities (continued)

(c) Property, plant and equipment (continued)

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

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

(d) Provisions

	30 June 2014			30 June 2013		
	Current $'000	**Non-current $'000**	**Total $'000**	Current $'000	Non-current $'000	Total $'000
Employee benefits	**971**	**111**	**1,082**	519	135	654
Rehabilitation	**-**	**6,418**	**6,418**	-	1,336	1,336
	971	**6,529**	**7,500**	519	1,471	1,990

(i) Provisions

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

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

(ii) Information about individual provisions and significant estimates

Employee benefits

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

The current provision represents amounts for annual leave that are expected to be settled within 12 months of the end of the period in which the employees render the related service in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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

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

7 Non-financial assets and liabilities (continued)

(d) Provisions (continued)

(iii) Movements in provisions

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

30 June 2014	**Rehabilitation and mine closure $'000**
Carrying amount at the start of the year	1,336
Additional provision incurred	4,912
Unwinding of discount	170
Carrying amount at end of year	6,418

Rehabilitation and mine closure

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

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

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

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

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

8 Equity

(a) Contributed equity

(i) Share capital

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

(ii) Movements in ordinary share capital

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

(iii) Ordinary shares

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

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

(b) Accumulated losses

Movements in accumulated losses were as follows:

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

9 Impairment of assets

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

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

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

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(a) Available-for-sale financial assets

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

(b) Gold cash generating unit

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

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

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

9 Impairment of assets (continued)

(b) Gold cash generating unit (continued)

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

The key assumptions used in the FVLCS calculations include:

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

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

10 Cash flow information

(a) Reconciliation of loss after income tax to net cash (outflow) / inflow from operating activities

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

Risk

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

11	Critical estimates, judgements and errors	51
12	Financial risk management	52
13	Capital risk management	55

11 Critical accounting estimates, judgements and errors

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

(a) Capitalisation of exploration and evaluation expenditure

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

(b) Impairment of available-for-sale financial assets

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

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

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

(c) Impairment of capitalised exploration and evaluation expenditure and mine properties

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

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

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

(d) Rehabilitation and mine closure provisions

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

(e) Net realisable value and classification of inventory

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

11 Critical accounting estimates, judgements and errors (continued)

(f) Income taxes

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

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

(g) Correction of error

Accounting for unrecorded transactions as at 30 June 2013

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

	30 June 2013 $'000	Increase (Decrease) $'000	(Restated) 30 June 2013 $'000
Heading			
Property, plant and equipment	**21,093**	**2,029**	**23,122**
Trade and other payables	**7,735**	**2,029**	**9,764**
Net assets	**170,805**	**-**	**170,805**

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

12 Financial risk management

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

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

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

12 Financial risk management (continued)

(a) Market risk

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

(i) Foreign exchange risk

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

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

(ii) Equity price risk

Exposure

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

Sensitivity

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

	Impact on post-tax profit		**Impact on other comprehensive income**	
Risk Variable	**2014 $'000**	2013 $'000	**2014 $'000**	2013 $'000
Equity securities +10%	**-**	-	**346**	2,876
Equity securities -10%	**(346)**	(2,876)	**-**	-

(iii) Commodity price risk

Exposure

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

12 Financial risk management (continued)

(a) Market risk (continued)

(iv) Cash flow and fair value interest rate risk

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

Summarised market risk sensitivity analysis

		Interest rate risk		Equity price risk			
		Impact on profit after tax		Impact on profit after tax		Impact on other comprehensive income	
At 30 June 2014	Carrying amount $'000	+100BP $'000	-100BP $'000	+10% $'000	-10% $'000	+10% $'000	-10% $'000
Financial assets							
Cash and cash equivalents	15,569	109	(109)	-	-	-	-
Receivables *	104	-	-	-	-	-	-
Available-for-sale financial assets	4,945	-	-	-	(346)	346	-
Other financial assets	6,736	47	(47)	-	-	-	-
Financial liabilities							
Trade and other payables *	(13,125)	-	-	-	-	-	-
Total increase / (decrease)		156	(156)	-	(346)	346	-

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

		Interest rate risk		Equity price risk			
		Impact on profit after tax		Impact on profit after tax		Impact on other comprehensive income	
At 30 June 2013	Carrying amount $'000	+100BP $'000	-100BP $'000	+10% $'000	-10% $'000	+10% $'000	-10% $'000
Financial assets							
Cash and cash equivalents	64,294	450	(450)	-	-	-	-
Receivables *	1,474	-	-	-	-	-	-
Available-for-sale financial assets	41,083	-	-	-	(2,876)	2,876	-
Other financial assets	3,671	26	(26)	-	-	-	-
Financial liabilities							
Trade and other payables *	7,735	-	-	-	-	-	-
Total increase / (decrease)		476	(476)	-	(2,876)	2,876	-

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

(b) Credit risk

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

(i) Risk management

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

12 Financial risk management (continued)

(b) Credit risk (continued)

(ii) Credit quality

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

(c) Liquidity risk

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

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

13 Capital risk management

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

Unrecognised items

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

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

(a) unrecognised tax amounts – see note 5.

14	Contingent liabilities and contingent assets	57
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14 Contingent liabilities and contingent assets

(a) Contingent liabilities

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

(b) Contingent assets

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

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

15 Commitments

(a) Exploration and mining lease commitments

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

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

(b) Non-cancellable operating leases

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

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

15 Commitments (continued)

(c) Physical gold delivery commitments

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

30 June 2014	Gold for physical delivery Ounces	Contracted gold sale price Per ounce ($)	Value of committed sales $'000
Within one year:			
Fixed forward contracts	**24,000**	**1,444**	**34,656**

(d) Capital commitments

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

16 Events occurring after the reporting period

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

Other information

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

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17 Interests in other entities

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

Name of entity	State / country of incorporation	Ownership interest held by the group 2014 %	2013 %
Australian Zirconia Limited	Western Australia	**100**	100
Australian Zirconia Holdings Pty Ltd	Western Australia	**100**	-
Skyray Properties Limited	British Virgin Islands	**100**	100
Kiwi Australian Resources Pty Ltd	Western Australia	**-**	100
Tomingley Holdings Pty Ltd	New South Wales	**100**	100
Tomingley Gold Operations Pty Ltd	New South Wales	**100**	100

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

18 Related party transactions

(a) Parent entities

The parent entity within the group is Alkane Resources Ltd.

(b) Subsidiaries

Interests in subsidiaries are set out in note 17.

(c) Key management personnel compensation

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

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

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

Detailed remuneration disclosures are provided in the remuneration report.

18 Related party transactions (continued)

(d) Transactions with other related parties

Purchases from entities controlled by key management personnel

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

	Year ended 30 June 2014 $	6 months ended 30 June 2013 $
Purchase of computer hardware and software	**230,798**	104,419
Consulting fees and services	**23,079**	10,911
	253,877	115,330

(e) Related party payables

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

19 Share-based payments

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

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

20 Remuneration of auditors

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

PricewaterhouseCoopers

(i) Audit and other assurance services

	Year ended 30 June 2014 $	6 months ended 30 June 2013 $
Audit of annual financial statements	**88,000**	-
Review of half year financial statements	**30,000**	-
Other assurance services	**92,000**	-
Total remuneration for audit and other assurance services	**210,000**	-

(ii) Other services

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

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

21 Earnings per share

(a) Weighted average number of shares used as the denominator

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

22 Assets pledged as security

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

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

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

23 Parent entity financial information

(a) Summary financial information

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

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

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

24 Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) Historical cost convention

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

(iii) Changes to presentation - classification of expenses

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

(b) Principles of consolidation

(i) Subsidiaries

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

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

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

(ii) Joint arrangements

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

Joint operations

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

24 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

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

(c) Segment reporting

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(e) Government grants

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

(f) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

24 Summary of significant accounting policies (continued)

(f) Earnings per share (continued)

(ii) Diluted earnings per share

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

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

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

(g) Goods and services tax (GST)

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

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

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

(h) Rounding of amounts

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

(i) Change in accounting policy

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

	30 June 2013 $'000	**Decrease $'000**	**(Restated) 30 June 2013**
Deferred tax asset	**4,102**	**(2,671)**	**1,431**
Accumulated losses	**(19,182)**	**(2,671)**	**(21,853)**

24 Summary of significant accounting policies (continued)

(j) Parent entity financial information

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

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

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

(ii) Tax consolidation legislation

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

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

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

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

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

(k) New accounting standards and interpretations

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

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

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

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

24 Summary of significant accounting policies (continued)

(k) New accounting standards and interpretations (continued)

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

(i) AASB10, AASB11, AASB12, AASB127

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

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

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

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

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

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

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

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

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

(iv) AASB 124 Related Party Disclosures

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

24 Summary of significant accounting policies (continued)

(k) New accounting standards and interpretations (continued)

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

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

Alkane Resources Ltd
Directors' declaration
30 June 2014

In the directors' opinion:

(a) the financial statements and notes set out on pages 22 to 69 are in accordance with the *Corporations Act 2001*, including:

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

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

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

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

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

D I Chalmers
Director
Perth

26 September 2014

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

Report on the financial report

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

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

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Auditor's opinion

In our opinion:

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

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

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

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 18 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Alkane Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
26 September 2014