

**Alkane Resources Ltd**  
**Appendix 4D**  
**Half-year report**

**1. Company details**

Name of entity:	Alkane Resources Ltd
ABN:	35 000 689 216
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

**2. Results for announcement to the market**

				<b>\$'000</b>
Revenue from ordinary activities	up	18%	to	76,911
Profit after tax attributable to the owners of Alkane Resources Ltd from continuing operations	up	250%	to	58,231

**Explanation of Revenue**

Revenue from ordinary activities was \$76.91 million, an increase of 18% over the corresponding period.

The revenue increase was as a result of increased gold production and increased gold price during the half-year period.

**Explanation of profit from ordinary activities after tax**

Net statutory profit after tax attributable to the owners of Alkane Resources Ltd was \$58.23 million, an increase of 250% over the corresponding period.

The current period includes a net gain of \$48,334,000 (31 December 2020: nil) with the reclassification of Alkane's investment in Genesis to financial assets at fair value through other comprehensive income.

**Explanation of Net profit**

Please refer above.

**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>29.08</u>	<u>20.87</u>

**4. Dividends**

***Current period***

There were no dividends paid, recommended or declared during the current financial period.

***Previous period***

There were no dividends paid, recommended or declared during the previous financial period.

**5. Audit qualification or review**

***Details of audit/review dispute or qualification (if any):***

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report for the half-year ended 31 December 2021.

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**6. Attachments**

***Details of attachments (if any):***

The Interim Financial Report of Alkane Resources Ltd for the half-year ended 31 December 2021 is attached.

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**7. Signed**



Signed \_\_\_\_\_

Date: 24 February 2022

N P Earner  
Managing Director  
Perth



**ALKANE**  
RESOURCES LTD

# Alkane Resources Ltd

ABN 35 000 689 216

**Interim Financial Report**  
**for the half year ended - 31 December 2021**

**Alkane Resources Ltd**  
**Corporate directory**  
**31 December 2021**

Directors	I J Gandel (Non-Executive Chairman) N P Earner (Managing Director) D I Chalmers (Technical Director) A D Lethlean (Non-Executive Director) G M Smith (Non-Executive Director)
Joint company secretaries	D Wilkins J Carter
Registered office and principal place of business	Level 4, Kings Park Road, West Perth WA 6005 Telephone: 61 8 9227 5677 Facsimile: 61 8 9227 8178
Share register	Advanced Share Registry Limited 110 Stirling Highway, Nedlands WA 6009
Auditor	PricewaterhouseCoopers Brookfield Place, 125 St Georges Terrace, Perth WA 6000
Stock exchange listing	Alkane Resources Ltd shares are listed on the Australian Securities Exchange (Perth) (ASX code: ALK) and the OTCQX International (OTCQX code: ALKEF) Ordinary fully paid shares
Website	<a href="http://www.alkane.com.au">http://www.alkane.com.au</a>
E-mail address	<a href="mailto:mail@alkane.com.au">mail@alkane.com.au</a>

**Alkane Resources Ltd**  
**Directors' report**  
**31 December 2021**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Consolidated entity' or the 'Group') consisting of Alkane Resources Ltd (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

**Directors**

The following persons were directors of Alkane Resources Ltd during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

I J Gandel  
N P Earner  
D I Chalmers  
A D Lethlean  
G M Smith

**Review of operations**

The profit for the Consolidated Entity after providing for income tax amounted to \$58,231,000 (31 December 2020: \$38,753,000).

The current period includes a net gain of \$48,334,000 (31 December 2020: nil) with the reclassification of Alkane's investment in Genesis to financial assets at fair value through other comprehensive income.

The prior period profit included \$22,134,000 net gain on demerger of the Australian Strategic Materials Ltd (ASM) business in the prior period.

The result also included a profit before tax of \$26,782,000 (31 December 2020: \$31,503,000) in relation to Tomingley Gold Operations (TGO).

***Tomingley Gold Operations***

Tomingley Gold Operations is a wholly owned subsidiary of Alkane, located near the village of Tomingley, approximately 50km southwest of Dubbo in Central Western New South Wales. The gold processing plant was commissioned in January 2014 and has been operating at the design capacity of 1Mtpa since late May 2014. Mining is based on four gold deposits (Wyoming One, Wyoming Three, Caloma One and Caloma Two).

Tomingley underground continued to perform well during the period. The cutback in the northeast of the Caloma pit also performed well. The omicron COVID-19 outbreak in NSW has resulted in a number of employees and their close contacts testing positive, requiring isolation and recovery. At times this has affected approximately 10 to 20% of the workforce. In addition, very high rainfall has occurred in western NSW, resulting in some pit wall and ramp erosion that required remediation and stabilisation.

Gold recovery of 85.2% for the period was in line with the expectations (30 June 2021: 88.8%). Average grade milled increased to 2.11 g/t in the current half-year.

Production for the period was 29,076 ounces of gold (Dec 2020: 27,418 ounces of gold) with all in sustaining costs of \$1,606 per ounce (Dec 2020: \$1,358 per ounce). The average sales price achieved for the period increased to \$2,472 per ounce (Dec 2020: \$2,285 per ounce). Gold sales of 31,113 ounces (Dec 2020: 28,559 ounces) resulted in sales revenue of \$76,911,000 (Dec 2020: \$65,252,000).

Bullion on hand decreased by 2,043 ounces from 30 June 2021 to 1,203 ounces.

***Tomingley Gold Extension Project***

An extensive exploration program focussed on the immediate area to the south of the Tomingley mine has continued as part of the plan to source additional ore feed, either at surface or underground. On the back of strong results from exploration and resource drilling to the immediate south of Tomingley, the Company is expediting the process to move to mine development.

Alkane continues to progress approvals for this development. The Environmental Impact Statement has been finalised and submitted to the NSW Government in February 2022. The expected timing of Project Approval remains mid-2022.

The table below summaries the key operational information:

		6 months ended	6 months ended
TGO Production	Unit	31 December 2021	31 December 2020
<b>Open cut</b>			
Waste mined	BCM	524,308	390,159
Ore mined	Tonnes	184,303	2,755
Strip Ratio	Ratio	8.0	243.5
Grade mined	g/t	0.73	0.40
<b>Underground</b>			
Ore mined	Tonnes	434,588	362,474
Grade mined	g/t	2.29	2.63
Ore milled	Tonnes	505,268	489,640
Head grade	g/t	2.11	2.01
Gold recovery	%	85.2	88.2
Gold poured <sup>(3)</sup>	Ounces	29,076	27,418
<b>Revenue summary</b>			
Gold sold	Ounces	31,113	28,559
Average price realised	A\$/oz	2,472	2,285
Gold revenue	A\$000's	76,911	65,252
<b>All-in Sustaining Cost<sup>(1)</sup></b>	A\$/oz	1,606	1,358
Bullion on hand	Ounces	1,203	1,083
<b>Stockpiles</b>			
Ore for immediate milling	Tonnes	185,869	96,029
Stockpile grades <sup>(2)</sup>	g/t	0.85	1.43

- (1) All in Sustaining Cost (AISC) comprises all site operating costs, royalties, mine exploration, sustaining capex, sustaining mine development and an allocation of corporate costs on the basis of ounces sold. AISC does not include share-based payments, production incentives or net realisable value provision for product inventory.
- (2) Based on the resource models.
- (3) Represents gold sold at site, not adjusted for refining adjustments which results in minor differences between the movements in bullion on hand and the difference between production and sales.

### Regional Exploration

Near-mine exploration continued at Tomingley targeting additional mineralisation outside the existing resource models at Roswell and San Antonio, as well as Macleans, El Paso and the Plains prospect to the east of Roswell.

The Boda gold-copper porphyry system is a series of near vertical, northwest striking, intrusive related breccias hosted within a thick sequence of shallowly east dipping andesite lavas.

Drilling has indicated that the northeast shoulder of the Boda gold-copper mineralisation has a shallow blanket of phyllic gold-only mineralisation associated strong sericite alteration, abundant pyrite and with occasional colloform quartz-carbonate veining suggestive of shallow level epithermal gold emplacement. The phyllic gold mineralisation often includes very high gold grades. Truncating the breccias are late mineral monzonite vertical intrusives associated with shallowly dipping quartz + chalcopyrite veining and post-mineral vertical dolerite and dacitic dykes.

The current program continues to improve confidence for a maiden resource estimation and the drill hole grid sequence is extended by a further two drill traverses to the northwest. The Boda maiden resource estimation is expected in March 2022.

**Corporate**

In accordance with its strategy of investing part of its cash balance in junior gold mining companies and projects that meet its investment criteria, namely potential investments that have high exploration potential and/or require near term development funding, the Company continues to hold its investment in gold exploration and development companies Calidus Resources Ltd (ASX:CAI) and Genesis Minerals Ltd (ASX:GMD).

**Significant changes in the state of affairs**

In early 2020 with the outbreak of Coronavirus Disease 2019 (“COVID-19” or “the coronavirus”) unprecedented measures put in place by the Australian Government, as well as governments across the globe, to contain the coronavirus have had a significant impact on the economy.

The omicron COVID-19 outbreak in NSW has resulted in a number of employees and their close contacts testing positive, requiring isolation and recovery. At times this has affected approximately 10 to 20% of the workforce.

**Matters subsequent to the end of the financial half-year**

On 14 February 2022 20,000,000 Genesis Minerals Limited shares were sold for \$34,400,000 (before selling costs).

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**Rounding of amounts**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding-off' of amounts in the directors' report and financial report. Amounts in this report have been rounded off in accordance with that ASIC Legislative Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

**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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the directors



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N P Earner  
Managing Director

24 February 2022  
Perth



## Auditor's Independence Declaration

As lead auditor for the review of Alkane Resources Limited for the half-year ended 31 December 2021, 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 review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

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

A handwritten signature in black ink that reads 'Helen Bathurst' with a stylized flourish at the end.

Helen Bathurst  
Partner  
PricewaterhouseCoopers

Perth  
24 February 2022



**Alkane Resources Ltd**

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**31 December 2021**

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**General information**

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 February 2022.

**Alkane Resources Ltd**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2021**

	Note	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Continuing operations</b>			
Revenue	3	76,911	65,252
Cost of sales	5	(49,391)	(33,237)
Gross profit		<u>27,520</u>	<u>32,015</u>
Other income		808	350
Interest income		10	60
Net gain on derecognition of financial assets at amortised cost	9	48,334	-
Other gains/(losses)	4	13,909	-
<b>Expenses</b>			
Loss on disposal of assets		-	(2)
Other expenses	5	(5,707)	(7,291)
Finance costs		(1,328)	(555)
Share of loss of associates		(20)	(473)
Total expenses		<u>(7,055)</u>	<u>(8,321)</u>
<b>Profit before income tax expense from continuing operations</b>		83,526	24,104
Income tax expense	6	(25,295)	(7,485)
Profit after income tax expense from continuing operations		58,231	16,619
Profit after income tax expense from discontinued operations	7	-	22,134
<b>Profit after income tax expense for the half-year attributable to the owners of Alkane Resources Ltd</b>		58,231	38,753
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in fair value of financial assets at fair value through other comprehensive income		(1,341)	(189)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Cash flow hedges transferred to profit or loss, net of tax		134	-
Other comprehensive loss for the half-year, net of tax		<u>(1,207)</u>	<u>(189)</u>
<b>Total comprehensive income for the half-year attributable to the owners of Alkane Resources Ltd</b>		<u>57,024</u>	<u>38,564</u>
Total comprehensive income for the half-year is attributable to:			
Continuing operations		57,024	16,430
Discontinued operations		-	22,134
		<u>57,024</u>	<u>38,564</u>

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

**Alkane Resources Ltd**  
**Consolidated statement of comprehensive income**  
**For the half-year ended 31 December 2021**

	<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit from continuing operations attributable to the owners of Alkane Resources Ltd</b>		
Basic earnings per share	9.78	2.80
Diluted earnings per share	9.66	2.78
<b>Earnings per share for profit from discontinued operations attributable to the owners of Alkane Resources Ltd</b>		
Basic earnings per share	-	3.73
Diluted earnings per share	-	3.71
<b>Earnings per share for profit attributable to the owners of Alkane Resources Ltd</b>		
Basic earnings per share	9.78	6.52
Diluted earnings per share	9.66	6.47

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

**Alkane Resources Ltd**  
**Consolidated balance sheet**  
**As at 31 December 2021**

	Note	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		37,956	18,991
Trade and other receivables		4,000	1,894
Inventories		11,677	11,648
Derivative financial instruments		-	521
<b>Total current assets</b>		<u>53,633</u>	<u>33,054</u>
<b>Non-current assets</b>			
Property, plant and equipment		113,099	99,411
Exploration and evaluation		76,749	57,794
Financial assets at fair value through other comprehensive income	8	77,334	18,471
Investments accounted for using the equity method	9	-	15,944
Other financial assets		11,402	11,541
<b>Total non-current assets</b>		<u>278,584</u>	<u>203,161</u>
<b>Total assets</b>		<u>332,217</u>	<u>236,215</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	10	11,309	11,082
External borrowings	11	8,516	3,294
Provisions		4,356	3,660
Other liabilities		143	143
<b>Total current liabilities</b>		<u>24,324</u>	<u>18,179</u>
<b>Non-current liabilities</b>			
Provisions		15,547	15,363
External borrowings	11	12,445	5,922
Deferred tax	6	29,550	4,737
Other liabilities		384	449
<b>Total non-current liabilities</b>		<u>57,926</u>	<u>26,471</u>
<b>Total liabilities</b>		<u>82,250</u>	<u>44,650</u>
<b>Net assets</b>		<u>249,967</u>	<u>191,565</u>
<b>Equity</b>			
Issued capital		218,223	218,079
Reserves		(65,151)	(65,178)
Retained profits		96,895	38,664
<b>Total equity</b>		<u>249,967</u>	<u>191,565</u>

*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 half-year ended 31 December 2021**

	Contributed equity \$'000	Share based payment reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2020	258,876	4,206	(793)	5,097	267,386
Profit after income tax expense for the half-year	-	-	-	38,753	38,753
Other comprehensive loss for the half-year, net of tax	-	-	(189)	-	(189)
Total comprehensive income/(loss) for the half-year	-	-	(189)	38,753	38,564
Share issue transaction costs	(80)	-	-	-	(80)
Share based payments	2,576	(1,656)	-	-	920
Capital distribution and demerger dividend	(43,237)	-	(92,435)	-	(135,672)
Transfer of gain on demerger	-	-	22,134	(22,134)	-
Deferred tax recognised in equity	-	-	58	-	58
Balance at 31 December 2020	<u>218,135</u>	<u>2,550</u>	<u>(71,225)</u>	<u>21,716</u>	<u>171,176</u>
	Contributed equity \$'000	Share based payment reserve \$'000	Other reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	218,079	3,313	(68,491)	38,664	191,565
Profit after income tax expense for the half-year	-	-	-	58,231	58,231
Other comprehensive loss for the half-year, net of tax	-	-	(1,207)	-	(1,207)
Total comprehensive income/(loss) for the half-year	-	-	(1,207)	58,231	57,024
Share issue transaction costs	(4)	-	-	-	(4)
Share based payments	185	1,234	-	-	1,419
Deferred tax recognised in equity	(37)	-	-	-	(37)
Balance at 31 December 2021	<u>218,223</u>	<u>4,547</u>	<u>(69,698)</u>	<u>96,895</u>	<u>249,967</u>

*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 half-year ended 31 December 2021**

	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	76,911	65,454
Payments to suppliers and employees (inclusive of GST)	(36,609)	(26,485)
	<u>40,302</u>	<u>38,969</u>
Interest received	69	91
Other income received	343	267
Finance costs paid	(860)	(465)
Royalties paid	(1,922)	(1,752)
	<u>37,932</u>	<u>37,110</u>
<b>Cash flows from investing activities</b>		
Payments for investments	(1,420)	(11,200)
Payments for property, plant and equipment	(28,300)	(30,439)
Payments for exploration and evaluation	(19,671)	(12,755)
Payments for security deposits	(113)	(114)
Demerger costs	-	(538)
Proceeds from disposal of investments	18,806	-
Proceeds from release of security deposits	253	-
Proceeds from sale of property, plant and equipment	-	745
	<u>(30,445)</u>	<u>(54,301)</u>
<b>Cash flows from financing activities</b>		
Share issue transaction costs	(4)	(31)
Proceeds from borrowings	34,778	4,267
Repayment of borrowings	(23,228)	(2,041)
Principal element of lease payment	(68)	-
	<u>11,478</u>	<u>2,195</u>
Net cash from financing activities	<u>11,478</u>	<u>2,195</u>
Net increase/(decrease) in cash and cash equivalents	18,965	(14,996)
Cash and cash equivalents at the beginning of the financial half-year	18,991	48,337
	<u>37,956</u>	<u>33,341</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>37,956</u></u>	<u><u>33,341</u></u>

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

**Alkane Resources Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

**Note 1. Significant accounting policies**

**Basis of preparation**

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2021 has been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

This condensed consolidated interim financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

**New or amended standards adopted by the Group**

The Group has adopted all of the new or amended accounting standards or interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Consolidated Entity.

**Note 2. Operating segments**

The Consolidated Entity has one operating segment: gold operations. The operating segments are based on the internal reports that are reviewed and used by the Board of Directors (which is identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

Costs that do not relate to the gold operating segment have been identified as unallocated costs. Corporate assets and liabilities that do not relate to the gold operating segments have been identified as unallocated. The Group has formed a tax consolidation group and therefore tax balances are disclosed under the unallocated grouping. The Group utilises a central treasury function resulting in cash balances being included in the unallocated segment.

Alkane Resources Ltd  
Notes to the consolidated financial statements  
31 December 2021

Note 2. Operating segments (continued)

	Gold Operations \$'000	Unallocated \$'000	Total \$'000
<b>Half-year ended 31 December 2021</b>			
Gold sales to external customers	76,911	-	76,911
Segment profit before income tax expense	26,782	56,744	83,526
<b>Segment profit includes the following non-cash adjustments:</b>			
Depreciation and amortisation	(13,968)	(203)	(14,171)
Exploration expenditure written off or provided for	-	(3)	(3)
Inventory product movement and provision	(104)	-	(104)
Income tax expense	-	(25,295)	(25,295)
Total adjustments	<u>(14,072)</u>	<u>(25,501)</u>	<u>(39,573)</u>
<b>As at 31 December 2021</b>			
Total segment assets	143,094	189,123	332,217
Total segment liabilities	<u>(53,176)</u>	<u>(29,074)</u>	<u>(82,250)</u>
Net segment assets	<u>89,918</u>	<u>160,049</u>	<u>249,967</u>
<b>Half- year ended 31 December 2020</b>			
Gold sales to external customers	<u>65,252</u>	<u>-</u>	<u>65,252</u>
Segment profit before income tax expense	31,503	7,250	38,753
<b>Segment net profit includes the following non-cash adjustments</b>			
Depreciation and amortisation	(9,150)	(76)	(9,226)
Exploration expenditure written off or provided for	-	(852)	(852)
Inventory product movement	(1,207)	-	(1,207)
Income tax expense	-	(7,485)	(7,485)
Total adjustments	<u>(10,357)</u>	<u>(8,413)</u>	<u>(18,770)</u>
<b>As at 30 June 2021</b>			
Segment assets	122,856	113,359	236,215
Segment liabilities	<u>(35,618)</u>	<u>(9,032)</u>	<u>(44,650)</u>
Net segment assets	<u>87,238</u>	<u>104,327</u>	<u>191,565</u>



**Alkane Resources Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

**Note 3. Revenue**

	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from continuing operations</b>		
Gold sales	<u>76,911</u>	<u>65,252</u>

Revenue from the sale of gold is recognised when the group satisfies its performance obligations under its contract with the customer by transferring such goods to the customer's control. Control is generally determined to be when the customer has the ability to direct the use and obtain substantially all of the remaining benefits from that good.

**Note 4. Other gains**

	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Other gains/(losses)</b>		
Net gain on disposal of investments	<u>13,909</u>	<u>-</u>

Shareholding of ASX listed gold developer Genesis Minerals Ltd (ASX:GMD) was ~12.7% at end of December 2021. During the half-year Genesis Minerals Ltd (GMD) shares to the value of \$18,806,000 were sold.

**Note 5. Expenses**

	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cost of sales</b>		
Cash costs of production	33,027	20,908
Inventory product movement	104	1,207
Depreciation and amortisation	13,968	9,150
Royalties and selling costs	<u>2,292</u>	<u>1,972</u>
	<u>49,391</u>	<u>33,237</u>

**(a) Inventory product movement**

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

**Note 5. Expenses (continued)**

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
<b>Other expenses</b>		
Corporate administration	1,394	1,626
Employee remuneration and benefits	1,597	2,563
Professional fees and consulting services	608	884
Share based payments	1,428	930
Directors' fees and salaries expensed	406	360
Depreciation	203	76
Non-core project expenses	68	-
Exploration expenditure provided for or written off	3	852
	5,707	7,291
	5,707	7,291

**Note 6. Income tax**

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

Determination of future taxable profits requires estimates and assumptions as to future events and circumstances including commodity prices, ore resources, exchange rates, future capital requirements, future operational performance, the timing of estimated cash flows, the ability to successfully develop and commercially exploit resources.

Tax legislation prescribes the rate at which tax losses transferred from entities joining a tax consolidation group can be applied to taxable incomes and this rate is diluted by changes in ownership, including capital raisings. As a result, the reduction in the rate at which the losses can be applied to future taxable incomes, the period of time over which it is forecast that these losses may be utilised has extended beyond that which management considers prudent to support their continued recognition for accounting purposes. Accordingly, no deferred tax asset has been recognised for certain tax losses. Recognition for accounting purposes does not impact the ability of the Group to utilise the losses to reduce future taxable profits.

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

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.

**Note 7. Demerger of ASM**

**(a) Demerger - ASM**

**ASM Group**

On 17 June 2020, the Group publicly announced the demerger of Alkane's critical metals and materials business and assets (the ASM Business) from the remainder of Alkane's business.

Australian Strategic Materials Ltd (ASM) was admitted to the ASX on 29 July 2020 and operates the ASM Business.

ASM was demerged with its cash reserves and no bank debt. All interests in the Dubbo Project and associated assets are 100% owned by ASM following the Demerger.

Alkane Resources Ltd  
Notes to the consolidated financial statements  
31 December 2021

Note 7. Discontinued operations (continued)

(b) Discontinued operation - ASM

*Financial performance information*

	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Gain from demerger	-	22,672
Transaction costs	-	(538)
Profit before income tax expense	-	22,134
Income tax expense	-	-
Profit after income tax expense from discontinued operations	-	22,134

**Alkane Resources Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

**Note 8. Financial assets at fair value through other comprehensive income**

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Non-current assets</i>		
Listed securities		
Calidus Resources Ltd (ASX: CAI)	24,131	17,811
Sky Metals Ltd (ASX: SKY)	782	660
Genesis Minerals Ltd (ASX: GMD)	52,421	-
	<u>77,334</u>	<u>18,471</u>

Genesis Minerals Ltd was reclassified from Investments accounted for using the equity method during the period. Refer to note 9 for further information.

**Note 9. Investments accounted for using the equity method**

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
<i>Non-current assets</i>		
Investment in associates	-	15,944

*Reconciliation*

Reconciliation of the carrying amounts at the beginning and end of the current and previous financial half-year are set out below:

Opening carrying amount	15,944	14,385
Additions	-	14,663
OCI	450	(109)
Reclassification	(16,394)	(12,995)
Closing carrying amount	<u>-</u>	<u>15,944</u>

Interests in associates are accounted for using the equity method of accounting. Information relating to the investments that are material to the consolidated entity are set out below:

Name	Principal place of business / Country of incorporation	Ownership Interest	Ownership Interest
		31 Dec 2021 %	30 June 2021 %
Genesis Minerals Ltd (GMD)	Australia	12.68%	19.84%

On 19 November 2021, at the Genesis AGM Nic Earner ceased to be a non-executive director of the Genesis Board, therefore Alkane no longer has significant influence over Genesis. Genesis was reclassified to financial assets at fair value through other comprehensive income, a \$48,334,000 derecognition gain resulted with the revaluation of the investment to fair value.

During the half-year GMD shares to the value of \$18,806,000 were sold. Refer to note 4 for further information.

**Alkane Resources Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

**Note 10. Trade and other payables**

	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
Trade payables	2,712	2,760
Other payables	8,597	8,322
	<u>11,309</u>	<u>11,082</u>

**Note 11. External borrowings**

Hire purchase liabilities are secured over the assets to which they relate, the carrying value of which exceeds the value of the hire purchase liability. The Group does not hold title to the equipment under the hire purchase pledged as security.

	<b>31 Dec 2021</b>	<b>30 Jun 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current liabilities</i>		
External borrowings	<u>8,516</u>	<u>3,294</u>
<i>Non-current liabilities</i>		
External borrowings	<u>12,445</u>	<u>5,922</u>

On 14 December 2020, \$20 million facility for general corporate expenditures and working capital with Macquarie Bank Ltd was Executed. The Company drew down the \$20 million working capital facility with Macquarie Bank in the first quarter of the financial year and repaid in full in December 2021. At the end of the current period the Company had \$19.8 million of borrowings relating to mobile equipment financing arrangements.

**Note 12. Contingent assets**

The group had no contingent assets at 31 December 2021 (30 June 2021: contingent asset of \$537,000 relates to forward gold sale contracts).

**Note 13. Contingent liabilities**

The group has contingent liabilities estimated up to the value of \$4,283,000 (30 June 2021: \$3,223,000 relates to land acquisitions) relating to forward gold sales contracts which are not accounted for on the consolidated balance sheet.

**Note 14. Commitments**

**(a) Exploration and mining lease commitments**

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

**Note 14. Commitments (continued)**

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Within one year	1,043	941

**(b) Physical gold delivery commitments**

As part of its risk management policy, the group enters into derivatives including gold forward contracts and gold collar options to manage the gold price of a proportion of anticipated gold sales. The purchases are as part of a risk mitigation strategy on any potential downward price pressure while Tomingley was processing the low-grade stockpiles and further developing the mine.

The gold forward sales 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. The balances in the table below relate to the value of the contracts to be delivered into by transfer of physical gold.

	Gold for physical delivery Ounces	Contracted gold sale price per ounce (\$)	Value of committed sales \$'000
<b>31 December 2021</b>			
Fixed forward contracts			
Within one year	15,500	2,230	34,565
<b>30 June 2021</b>			
Fixed forward contracts			
Within one year	24,000	2,307	55,368

**(c) Capital commitments**

Capital commitments for the period at the end of the reporting period but not recognised as liabilities amounted to \$3,160,000 (30 June 2021: \$11,462,000).

**Note 15. Deed of cross guarantee**

The following Group entities have entered into a deed of cross-guarantee. Under the deed of cross-guarantee, each body has guaranteed that the debts to each creditor of each other body which is a party to the deed will be paid in full in accordance with the deed:

- Alkane Resources Limited (the Holding Entity)
- Tomingley Holdings Pty Ltd and Tomingley Gold Operations Pty Ltd (the wholly-owned subsidiaries, which are eligible for the benefit of the ASIC Instrument)

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Alkane Resources Ltd, they also represent the 'Extended Closed Group'.

**Alkane Resources Ltd**  
**Notes to the consolidated financial statements**  
**31 December 2021**

**Note 15. Deed of cross guarantee (continued)**

The consolidated statement of profit or loss and other comprehensive income and consolidated balance sheet are substantially the same as the consolidated entity as stated in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and therefore have not been separately disclosed.

**Note 16. Events after the reporting period**

On 14 February 2022 20,000,000 Genesis Minerals Limited shares were sold for \$34,400,000 (before selling costs).

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Consolidated Entity's state of affairs in future financial years.

**Alkane Resources Ltd**  
**Directors' declaration**  
**31 December 2021**

In the directors' opinion:

- the financial statements and notes set out on pages 7 to 20 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 31 December 2021 and of its performance for the half-year ended on that date and
- there are reasonable grounds to believe that the Alkane Resources Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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N P Earner  
Managing Director

24 February 2022  
Perth





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

### Report on the half-year financial report

#### Conclusion

We have reviewed the half-year financial report of Alkane Resources Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated balance sheet as at 31 December 2021, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Alkane Resources Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

#### Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.



### **Auditor's responsibilities for the review of the half-year financial report**

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Price Waterhouse Coopers

PricewaterhouseCoopers

Helen Bathurst

Helen Bathurst  
Partner

Perth  
24 February 2022