ALKANE RESOURCES LTD
ACN 000 689 216

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Alkane Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Alkane Resources Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is at 89 Burswood Road, Burswood, WA 6100. Its shares are listed on the Australian Securities Exchange.

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Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Alkane Resources Ltd (ACN 000 689 216) and the entities it controlled at the end of, or during, the half-year ended 31 December 2015.

DIRECTORS
The following persons were Directors of Alkane Resources Ltd during the whole of the half-year and up to the date of this report:
J S F Dunlop (Chairman)
D I Chalmers
I J Gandel
A D Lethlean

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

DIVIDENDS
No dividends have been paid by the Group during the half-year ended 31 December 2015, nor have the Directors recommended that any dividends be paid (2014: Nil).

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

Result for the half-year
The group's net profit for the period after tax was $6,337,000 (31 December 2014: $3,337,000). The result was underpinned by a profit before tax of $12,921,000 generated by Tomingley Gold Operations (profit of $7,793,000 for the 6 months ended 31 December 2014).

Operations – Tomingley Gold Operation

The gold operations at Tomingley are located approximately 50 kilometres south-west of Dubbo in the Central West of NSW. The operation is based on four gold deposits – Wyoming One, Wyoming Three, Caloma One and Caloma Two.

Development of the underground mine continues with completion of a pre-feasibility study during the period and generation of an initial underground reserve.

Mining continued in the Caloma One and Wyoming Three pits during the period with waste removal commencing in Wyoming One. The majority of effort was exerted in the Caloma One and Wyoming One pits. Mining in the Wyoming Three pit concluded in October 2015 with the pit producing over 40% more ounces than the modelled resource. Total material movements for the period of 3,382,587 bcm comprised 3,124,603 bcm of waste and 257,984 bcm of ore at an average stripping ratio of 12.1. The increase in the stripping ratio from the corresponding prior period reflects the waste removal in the Wyoming One pit.

Ore reconciliation for the Caloma One pit remains in line with the modelled resource.

Milling for the period was in line with design capacity of 1,000,000 tonnes per annum, at 529,979 tonnes, with material milled being predominately fresh ore. The reduction in milled tonnes from the prior comparative period reflects this transition to predominately fresh ore feed. Gold recovery reduced from 94.9% to 92.1% in line with expectations, also a reflection of the transition to fresh ore feed.

Production for the half year was 35,136 ounces at an all in sustaining cost (AISC) of $1,270 per ounce. The average sales price achieved for the period of $1,572 per ounce resulted in a strong margin of $302 per ounce.

Estimated production guidance for the year ending 30 June 2016 is 60,000 - 70,000 ounces at an AISC of between $1,200 and $1,300 per ounce.

Directors' Report

REVIEW OF OPERATIONS (continued)

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

Production	Unit	6 Months Ended 31 December 2015	6 Months Ended 31 December 2014
Ore mined	bcm	257,984	330,181
Waste mined	bcm	3,124,603	3,067,914
Stripping ratio	ratio	12.1	9.3
Ore mined	tonnes	710,805	689,735
Grade mined (2)	grams/tonne	1.86	1.82
Ore milled	tonnes	529,979	596,982
Head grade	grams/tonne	2.19	2.26
Gold recovery	%	92.1	94.9
Gold production (3)	ounces	35,136	41,537
Gold sales	ounces	35,250	40,234
Average sales price realised	A$/ounce	1,572	1,415
Sales revenues	A$ millions	55.4	56.9
AISC (1)	A$/ounce	1,270	991
Ore stockpiles	tonnes	698,744	301,326
Stockpile grade (2)	grams/tonne	0.94	1.05
Bullion on hand	ounces	3,040	5,611

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

(2) Based on the resource model.

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

Development – Dubbo Zirconia Project

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

The DZP is a unique, long-life asset with a potential mine life of 70 plus years. Unlike many projects of this kind, it is a polymetallic deposit providing potential revenue from multiple product streams.

Following on from receipt of State Government Planning Approval, the Project received Federal Environmental Approval. The mining lease was granted by the NSW Department of Industry, Division of Resources and Energy on 18 December 2015 with the process to obtain the Environment Protection Licence well advanced.

The Front End Engineering Design (FEED) with Hatch was completed in August 2015 confirming the Project's robust economics and an agreement was entered into with Outotec, a global minerals and metals processing technology supplier, to conduct an Early Contractor Involvement (ECI) process to identify further value in the project design produced by the extensive FEED. After the initial phase of the ECI, the intention is for Outotec to execute the process plant segment of the scope for AZL on an Engineering, Procurement and Construction (EPC) basis. This has the dual advantages of developing a key technology and support relationship and capping the execution risk for AZL.

Further process development work on the hafnium and zirconium refining circuit was performed during the period improving the understanding of the flow sheet. This includes the process drivers that affect product recoveries and specifications of the zirconium "strip liquor", and therefore the hafnium concentrate and zirconium specifications of the final products. Inclusion of the hafnium circuit in the DZP has added significant value to the Project and has been well recognised by key stakeholders.

Further demonstration pilot plant trials are planned to produce additional product to assist with process refinement and confirmation of test results obtained at laboratory scale. This will also involve the production of hafnium concentrate and zirconium products for customer evaluations, which will include the full suite of products during 2016.

Directors' Report

REVIEW OF OPERATIONS (continued)

Progress on the toll processing of rare earth concentrates into separated rare earth oxides was made during the period with the expectation that the full range of separated products will be available when the project commences production.

Marketing activities continued throughout the period with dispatch of further samples, plus meetings with major companies from Europe, Japan, USA and China for DZP products. Significant focus continues to be applied to securing offtake partners.

The financing program led by Sumitomo Mitsui Banking Corporation and Credit Suisse is progressing with the immediate focus on achieving a small strategic sale at project level and attracting the support of Export Credit Agency funding.

Exploration

The Company maintained a focussed multi commodity exploration program in the Central West of NSW with low level activities during the period. Alkane completed the acquisition of the Kaiser porphyry gold-copper prospect (part of the Bodangora Project) through the payment of $200,000 and has also entered in to a farm in agreement with Clancy Exploration Ltd to earn up to 80% of the Orange East project through expenditure of $1 million over six years. Both of these projects have potential for McPhillamys type gold targets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The financial position and performance of the Group has not been particularly affected by any specific events or transactions during the six months ended 31 December 2015 when compared to the six months ended 31 December 2014.

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 4.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investment Commission relating to the "rounding off" of amounts in the interim financial report. Amounts in the interim financial report have been rounded off in accordance with the 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 the Directors.

D I Chalmers
Director
Dated at Perth this 16th day of February 2016

pwc

Auditor's Independence Declaration

As lead auditor for the review of Alkane Resources Limited for the half-year ended 31 December 2015, 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.

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
16 February 2016

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Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2015

		Consolidated	
	Note	**2015 $'000**	2014 $'000
Continuing operations			
Revenue	4(a)	**55,421**	56,949
Other income	4(b)	**796**	571
Cost of sales	5(a)	**(42,721)**	(49,182)
Gross profit		**13,496**	8,338
Expenses			
Other expenses	5(b)	**(4,391)**	(4,407)
Finance charges		**(196)**	(189)
Total expenses		**(4,587)**	(4,596)
Profit before income tax		**8,909**	3,742
Income tax expense		**(2,572)**	(405)
Profit after income tax		**6,337**	3,337
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Changes in fair value of available for sale investments, net of tax		**-**	612
Total comprehensive income for the period		**6,337**	3,949
Total comprehensive income for the period is attributable to:			
Owners of Alkane Resources Ltd		**6,337**	3,949
Profit is attributable to:			
Owners of Alkane Resources Ltd		**6,337**	3,337
Earnings per share attributable to the ordinary equity holders of the company (cents per share):			
Basic earnings per share	18	**1.52**	0.8
Diluted earnings per share	18	**1.51**	0.8

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

Consolidated Balance Sheet

As at 31 December 2015

	Note	Consolidated 31 Dec 2015 $'000	Consolidated 30 June 2015 $'000
Current Assets			
Cash and cash equivalents		**14,764**	14,849
Receivables		**1,656**	1,988
Inventories	7	**14,320**	11,505
Available for sale financial assets	8	**-**	-
Total Current Assets		**30,740**	28,342
Non-Current Assets			
Property, plant and equipment	9	**95,030**	89,787
Exploration and evaluation	10	**68,929**	65,251
Other financial assets		**7,576**	7,586
Total Non-Current Assets		**171,535**	162,624
Total Assets		**202,275**	190,966
Current Liabilities			
Trade and other payables		**9,750**	9,726
Provisions	11	**1,622**	1,525
Total Current Liabilities		**11,372**	11,251
Non-Current Liabilities			
Provisions	11	**6,805**	6,781
Deferred tax liabilities	6	**5,222**	2,484
Other payables		**763**	-
Total Non-Current Liabilities		**12,790**	9,265
Total Liabilities		**24,162**	20,516
Net Assets		**178,113**	170,450
Equity			
Contributed equity	12	**201,680**	201,845
Other reserves		**2,205**	714
Accumulated losses		**(25,772)**	(32,109)
Total Equity		**178,113**	170,450

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

	Attributable to owners of Alkane Resources Ltd				
	Contributed equity $'000	Available for sale reserve $'000	Share based payments reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2014	202,243	-	-	(28,023)	174,220
Total profit for the half year	-	-	-	3,337	3,337
Other comprehensive income for the half-year, net of tax	-	612	-	-	612
Total comprehensive income for the period	-	612	-	3,337	3,949
Transactions with owners in their capacity as owners:					
Share issue transactions costs	(3)	-	-	-	(3)
Share based payments	-	-	1,757	-	1,757
Deferred tax credit recognised in equity	(197)	-	-	-	(197)
Balance at 31 December 2014	202,043	612	1,757	(24,686)	179,726

	Attributable to owners of Alkane Resources Ltd				
	Contributed equity $'000	**Available for sale reserve $'000**	**Share based payment reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2015	**201,845**	**-**	**714**	**(32,109)**	**170,450**
Total profit for the half year	**-**	**-**	**-**	**6,337**	**6,337**
Total comprehensive income for the period	**-**	**-**	**-**	**6,337**	**6,337**
Transactions with owners in their capacity as owners:					
Share based payments	**-**	**-**	**1,491**	**-**	**1,491**
Deferred tax credit recognised in equity	**(165)**	**-**	**-**	**-**	**(165)**
Balance at 31 December 2015	**201,680**	**-**	**2,205**	**(25,772)**	**178,113**

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2015

	Note	Consolidated 2015 $'000	2014 $'000
Cash Flows from Operating Activities			
Receipts from customers		**55,421**	56,949
Payments to suppliers (inclusive of GST)		**(35,548)**	(33,987)
Finance costs paid		**(102)**	(75)
Royalties		**(1,502)**	(1,549)
Interest received		**211**	320
Other income received		**585**	250
Net cash inflow from operating activities	17	**19,065**	21,908
Cash Flows from Investing Activities			
Exploration and evaluation expenditure		**(4,067)**	(8,252)
Purchase of property, plant and equipment		**(15,007)**	(8,958)
Payments for security deposits		**-**	(2,500)
Receipt of security deposits		**11**	1,150
Net cash outflow from investing activities		**(19,063)**	(18,560)
Cash Flows from Financing Activities			
Repayment of borrowings		**(87)**	(3)
Net cash outflow from financing activities		**(87)**	(3)
Net (decrease) / increase in cash and cash equivalents		**(85)**	3,345
Cash and cash equivalents at the beginning of the half-year		**14,849**	15,569
Cash and cash equivalents at the end of the half-year		**14,764**	18,914

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

1. Statement of Significant Accounting Policies

Basis of preparation

This condensed consolidated interim financial report for the interim half-year reporting period ended 31 December 2015 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting.

The condensed consolidated interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Alkane Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those of the previous financial year and the corresponding interim financial period.

Comparative information has been reclassified where appropriate to enhance comparability.

a) New accounting standards and interpretations

The following applicable Australian Accounting Standard has been issued or amended but is not yet effective and has not been adopted by the Group for the half-year ended 31 December 2015. The Group has not yet assessed the impact of this revised standard:

AASB 15 Revenue from contracts with customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118, which covers contracts for goods and services, and AASB 111, which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard is effective 1 January 2018.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

2. Segmental Information

The Board of Alkane Resources Ltd has identified two reportable segments, being gold operations and the exploration and evaluation of rare metals. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker that is used to make strategic decisions.

Costs that do not relate to either of the operating segments, have been identified as unallocated costs. Corporate assets and liabilities that do not relate to either of the operating segments have been identified as unallocated. The Group has formed a tax consolidated group and therefore deferred tax balances have been allocated to the unallocated grouping.

2015	**Gold Operations $'000**	**Rare Metals $'000**	**Unallocated $'000**	**Group $'000**
Gold sales to external customers	**55,421**	**-**	**-**	**55,421**
Segment net profit / (loss) before income tax	**12,921**	1	**(4,013)**	8,909
Segment net profit / (loss) includes the following non-cash adjustments:				
Depreciation and amortisation	**(12,454)**	**-**	**(131)**	**(12,585)**
Deferred stripping costs capitalised	**9,430**	**-**	**-**	**9,430**
Exploration expenditure written off or provided for	**-**	**-**	**(74)**	**(74)**
Inventory product movement	**643**	**-**	**-**	**643**
Reversal of provision for inventory	**1,795**	**-**	**-**	**1,795**
Income tax expense	**(3,747)**	**347**	**828**	**(2,572)**
Total non-cash adjustments	**(4,333)**	347	**623**	**(3,363)**
Total segment assets	**103,719**	**83,272**	**15,284**	**202,275**
Total segment liabilities	**(14,901)**	**(2,868)**	**(6,393)**	**(24,162)**
Net assets	**88,818**	**80,404**	**8,891**	**178,113**

2014	**Gold Operations $'000**	**Rare Metals $'000**	**Unallocated $'000**	**Group $'000**
Gold sales to external customers	**56,949**	**-**	**-**	**56,949**
Segment net profit / (loss) before income tax	**7,793**	**(119)**	**(3,932)**	**3,742**
Segment net profit / (loss) includes the following non-cash adjustments:				
Depreciation and amortisation	**(13,552)**	**-**	**(74)**	**(13,626)**
Deferred stripping costs capitalised	**4,706**	**-**	**-**	**4,706**
Exploration expenditure written off or provided for	**-**	**-**	**(438)**	**(438)**
Inventory product movement	**967**	**-**	**-**	**967**
Provision for inventory	**(1,422)**	**-**	**-**	**(1,422)**
Income tax expense	**(2,751)**	**(1,746)**	**4,092**	**(405)**
Total non-cash adjustments	**(12,052)**	**(1,746)**	**3,580**	**(10,218)**
30 June 2015				
Total segment assets	**104,630**	**73,444**	**12,892**	**190,966**
Total segment liabilities	**(16,151)**	**(689)**	**(3,676)**	**(20,516)**
Net assets	**88,479**	**72,755**	**9,216**	**170,450**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

3. Fair Value Measurement of Financial Instruments

Risk Management Activities

The risk management activities are consistent with those of the previous financial year unless otherwise stated.

Fair Values

Due to their short-term nature, the carrying amount of the current receivables, current payables and other financial assets is considered to approximate their fair value.

The Group does not have any financial assets or financial liabilities measured and recognised at fair value at 31 December 2015.

Financial Assets:	**31 December 2015 Carrying Amount $'000**	**31 December 2015 Fair Value $'000**	**30 June 2015 Carrying Amount $'000**	**30 June 2015 Fair Value $'000**
Cash and cash equivalents	14,764	14,764	14,849	14,849
Receivables	1,656	1,656	353	353
Total Current	**16,420**	**16,420**	**15,202**	**15,202**
Other financial assets	7,576	7,576	7,586	7,586
Total Non-Current	**7,576**	**7,576**	**7,586**	**7,586**
Total	**23,996**	**23,996**	**22,788**	**22,788**
Financial Liabilities:				
Trade and other payables	9,750	9,750	9,726	9,726
Total Current	**9,750**	**9,750**	**9,726**	**9,726**

	Consolidated	
	2015 $'000	2014 $'000
4. (a) Revenue		
Gold sales	**55,421**	56,949
(b) Other Income		
Interest income	**211**	320
Other income	**585**	251
Total other income	**796**	571

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

		Consolidated	
		31 December 2015 $'000	31 December 2014 $'000
5.	**(a) Cost of sales**		
	Cash costs of production	**40,511**	38,131
	Deferred stripping costs capitalised	**(9,430)**	(4,706)
	Inventory product movement	**(643)**	(967)
	(Reversal of provision)/provision for inventory	**(1,795)**	1,422
	Depreciation and amortisation	**12,454**	13,552
	Royalties and selling costs	**1,624**	1,750
		42,721	49,182
	(b) Other expenses		
	Corporate administration	**1,252**	1,198
	Employee remuneration and benefits	**1,817**	1,687
	Professional fees and consulting services	**819**	706
	Exploration expenditure provided for or written off	**74**	438
	Directors' fees and salaries expensed	**252**	214
	Peak hill site maintenance and rehabilitation	**40**	62
	Depreciation	**131**	74
	Loss from disposal of fixed assets	**6**	28
		4,391	4,407

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 $9,631,000 of employee remuneration and benefits (31 December 2014: $7,563,000).

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.

Inventory movement

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

Provision for Inventory

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.

6. Deferred Tax Liability

The net deferred tax liability has increased from $2,484,000 at 30 June 2015 to $5,222,000 at 31 December 2015. The increase in deferred tax liability is predominately caused by an increase in the deferred tax liability relating to exploration and evaluation assets of $1,000,000 and a decrease in the deferred tax asset relating to property, plant and equipment of $1,100,000.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

	Consolidated	
	31 December 2015 $'000	30 June 2015 $'000
7. Inventory		
Ore stockpiles (at cost)	**5,601**	1,653
Gold in circuit (at NRV)	**2,860**	3,755
Bullion on hand (at cost)	**4,077**	4,690
Consumables stores (at cost)	**1,782**	1,407
	14,320	11,505

As at 30 June 2015 consumables inventory was valued at cost with product stockpiles valued at net realisable value (NRV).

	Consolidated	
	31 December 2015 $'000	30 June 2015 $'000
8. Available for Sale Financial Assets		
Listed equity securities		
Opening balance at beginning of period	**-**	4,945
Disposals during the period	**-**	(4,945)
Closing balance at end of the period	**-**	-

9. Property, Plant and Equipment

31 December 2015 Cost	**Land and buildings $'000**	**Plant and equipment $'000**	**Assets under construction $'000**	**Mine properties $'000**	**Total $'000**
Opening balance - 1 July 2015	**25,660**	**70,006**	**819**	**83,011**	**179,496**
Additions	**4,005**	**4**	**4,357**	**9,468**	**17,834**
Transfers between asset classes	**2104**	**1,123**	**(4,312)**	**1,085**	**-**
Disposals	**-**	**(10)**	**-**	**-**	**(10)**
Closing balance – 31 December 2015	**31,769**	**71,123**	**864**	**93,564**	**197,320**
Accumulated depreciation and impairment					
Opening balance - 1 July 2015	**(6,072)**	**(35,752)**	**-**	**(47,885)**	**(89,709)**
Depreciation and Amortisation	**(824)**	**(5,053)**	**-**	**(6,708)**	**(12,585)**
Disposals	**-**	**4**	**-**	**-**	**4**
Closing balance – 31 December 2015	**(6,896)**	**(40,801)**	**-**	**(54,593)**	**(102,290)**
Carrying value – 31 December 2015	**24,873**	**30,322**	**864**	**38,971**	**95,030**

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

9. Property, Plant and Equipment (continued)

30 June 2015 Cost	Land and buildings $'000	Plant and equipment $'000	Assets under construction $'000	Mine properties $'000	Total $'000
Opening balance - 1 July 2014	**24,737**	**67,449**	**458**	**70,373**	**163,017**
Additions	**523**	**132**	**4,688**	**11,189**	**16,532**
Transfers between asset classes	**400**	**2,478**	**(4,327)**	**1,449**	**-**
Disposals	**-**	**(53)**	**-**	**-**	**(53)**
Closing balance – 30 June 2015	**25,660**	**70,006**	**819**	**83,011**	**179,496**

Accumulated depreciation and impairment					
Opening balance - 1 July 2014	**(4,310)**	**(25,019)**	**-**	**(33,656)**	**(62,985)**
Depreciation	**(1,762)**	**(10,738)**	**-**	**(14,229)**	**(26,729)**
Disposals	**-**	**5**	**-**	**-**	**5**
Closing balance – 30 June 2015	**(6,072)**	**(35,752)**	**-**	**(47,885)**	**(89,709)**
Carrying value – 30 June 2015	**19,588**	**34,254**	**819**	**35,126**	**89,787**

	Consolidated **31 December 2015 $'000**	 30 June 2015 $'000
10. Exploration and Evaluation		
Opening balance at beginning of period	**65,251**	**53,406**
Expenditure during the period	**3,751**	**12,916**
Amounts provided for or written off	**(73)**	**(1,071)**
Closing balance end of period	**68,929**	**65,251**
11. Provisions		
Current Provisions		
Provision for employee benefits	**1,622**	1,525
Non-Current Provisions		
Provision for rehabilitation and mine closure	**6,511**	6,552
Provision for employee benefits	**294**	229
	6,805	6,781

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2015

12. Contributed Equity

	Parent entity			
	31 December 2015		30 June 2015	
Share capital	**Number**	**$'000**	Number	$'000
Ordinary shares – Fully paid	**414,218,670**	**201,845**	414,218,670	201,845
Movement in ordinary share capital				
Opening balance at 1 July	**414,218,670**	**201,845**	412,639,000	202,243
Employee share scheme issue	**-**	**-**	1,579,670	-
Closing balance at end of period	**414,218,670**	**201,845**	414,218,670	202,243
Less: transaction costs arising on share issue	**-**	**-**	-	(3)
Less: deferred tax credit recognised directly in equity	**-**	**(165)**	-	(395)
Balance per Balance Sheet	**414,218,670**	**201,680**	414,218,670	201,845

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

13. Contingencies

(a) Contingent liabilities
The Group has contingent liabilities estimated at up to $3,400,000 for the potential acquisition of several parcels of land surrounding the Dubbo Zirconia Project (June 2015: $200,000). The landholders have the right to require subsidiary Australian Zirconia Limited to acquire their properties as provided for in the development consent conditions for the Dubbo Zirconia Project or under separate agreements between the landholders and Australian Zirconia Limited.

(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 $2,038,000 (June 2015: $1,028,000) exists at the balance date in the event that the contracts are not settled by the physical delivery of gold.

14. Related Parties

(a) Parent entities
The parent entity within the group is Alkane Resources Ltd.

(b) Transactions with other related parties

Nuclear IT
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 and represent normal commercial terms. The following purchases were made from Nuclear IT:

	31 December 2015	31 December 2014
	$	$
Purchase of computer hardware and software	**12,374**	23,209
Consulting fees and services	**14,191**	12,127
	25,565	35,336

Mineral Administration Services
During the period fees amounting to $139,000 (December 2014: $158,000) were paid to Mineral Administration Services (MAS) in which the company secretary of the Group, Ms K E Brown, has a substantial financial interests. MAS provides administration, accounting and company secretarial services to the Group.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

15. Commitments

Exploration and Mining Lease Commitments

In order to maintain current rights of tenure to mining tenements, the Group will be required to outlay in 2016 amounts of approximately $1,537,000 (June 2015: $1,542,000) in respect of tenement lease rentals and exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in the normal course of operations.

Capital Commitments

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities amounts to $94,000 (June 2015: $632,000).

Lease Commitments

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.

	31 December 2015 $'000	30 June 2015 $'000
Within one year	**357**	325
Later than one year but not later than five years	**145**	290
	502	615

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.

	Gold for Physical Delivery Ounces	**Contracted Gold Sale Price Per Ounce($)**	**Value of committed sales $'000**
30 June 2015			
Within one year:			
Fixed forward contracts	24,000	1,577	37,848
31 December 2015			
Within one year:			
Fixed forward contracts	14,500	1,606	23,287

16. Subsequent Events

Since the end of the half-year, the Directors are not aware of any matter or circumstance not otherwise dealt with in this report or mentioned in the Directors report that has significantly or may significantly affect the operations, the results, or the state of affairs of the Group.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2015

	Consolidated	
	2015	2014
	$'000	$'000
17. Reconciliation of Net Cash Inflow from Operating Activities to Operating Profit After Income Tax		
Profit after tax	**6,337**	3,337
Non-cash items in operating profit:		
Depreciation and amortisation	**12,585**	13,626
Finance charges – non cash	**94**	115
Share-based payments	**1,491**	1,536
Loss recognised from disposal of assets	**6**	28
Exploration costs provided for or written off	**74**	438
Changes in net assets and liabilities		
Decrease in trade and other receivables	**91**	1,934
(Increase) / decrease in inventories	**(2,815)**	211
(Decrease) in trade and other payables	**(1,532)**	(269)
Increase in provisions	**162**	547
Increase in deferred tax liabilities	**2,572**	405
Net cash inflow from operating activities	**19,065**	21,908

18. Earnings per Share

Basic earnings per share

	2015	2014
	$'000	$'000
(a) Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**6,337**	3,337

	2015	2014
	Number	Number
(b) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**417,623,207**	413,994,567

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

19. Financing Facilities

Australia Zirconia Limited has executed a $4,000,000 working capital facility during the period which was undrawn at balance date. The facility has a three year term and is secured against the assets of Australia Zirconia Limited. Alkane Resources Limited has provided a capped guarantee.

There were no significant non-cash investing and financing activities during the half-year.

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 5 to 17 are in accordance with the Corporations Act 2001 including:

   i) giving a true and fair view of the financial position of the Consolidated entity as at 31 December 2015 and of its performance for the half-year ended on that date; and

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

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

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

D I Chalmers
Director
Dated at Perth this 16th day of February 2016

pwc

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alkane Resources Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Alkane Resources Limited (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility 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 (including the Australian Accounting Interpretations) 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 is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 consolidated entity's financial position as at 31 December 2015 and 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*. As the auditor of Alkane Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

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

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
16 February 2016