ALKANE
Resources Ltd

ANNUAL REPORT 2016

CONTENTS

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K E Brown

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Code: ALK

OTCMarkets – OTCQX International
American Depositary Receipts (ADR)
Code: ANLKY

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Competent Persons

Unless otherwise advised, the information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D I Chalmers, FAusIMM, FAIG, (director of the Company) who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC, 2012). Ian Chalmers consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Tomingley Gold Project:

- The information in this report that relates to the Mineral Resource estimates for the Tomingley Gold Project (annual update first released to ASX on 22 September 2016) is based on, and fairly represents, information which has been compiled by Mr Craig Pridmore, Geology Superintendent Tomingley Gold Operations, who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of Alkane Resources Ltd. Mr Pridmore has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Pridmore consented to the inclusion in the report of the matters based on his information in the form and context in which they appear.
- The information in this report that relates to the Ore Reserve estimate for the Tomingley Gold Project (annual update first released to ASX on 22 September 2016) is based on, and fairly represents, information which has been compiled by Mr John Millbank (Proactive Mining Solutions), an independent consultant, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Millbank has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Millbank consented to the inclusion in the report of the matters based on his information in the form and context in which they appear.

Dubbo Zirconia Project:

- The information in this report that relates to Mineral Resources (first released in the 2004 Annual Report) and Ore Reserves (originally released to ASX on 16 November 2011 and updated on 11 April 2013 and 30 October 2013) for the Dubbo Zirconia Project was based upon information compiled by Mr Terry Ransted (MAusIMM), then a principal of Multi-Metal Consultants Pty Ltd, who was a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (JORC, 2004) and is a Competent Person as defined in JORC, 2012 . Mr Ransted consented to the inclusion in the report on matters based on information compiled by him in the form and context in which it appeared. This information was prepared and first disclosed under JORC, 2004. It has not been updated since to comply with JORC, 2012 on the basis that the information and underlying assumptions have not materially changed.

Disclaimer

This report contains certain forward looking statements and forecasts, including possible or assumed reserves and resources, production levels and rates, costs, prices, future performance or potential growth of Alkane Resources Ltd, industry growth or other trend projections. Such statements are not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors which are beyond the control of Alkane Resources Ltd. Actual results and developments may differ materially from those expressed or implied by these forward looking statements depending on a variety of factors. Nothing in this report should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities.

This document has been prepared in accordance with the requirements of Australian securities laws, which may differ from the requirements of United States and other country securities laws. Unless otherwise indicated, all ore reserve and mineral resource estimates included or incorporated by reference in this document have been, and will be, prepared in accordance with the JORC classification system of the Australasian Institute of Mining, and Metallurgy and Australian Institute of Geosciences.

Alkane Resources is a multi-commodity mining and exploration company with a focus on gold, copper, zirconium, hafnium, niobium and rare earth elements.

On the journey to becoming a strategic producer of critical minerals for a range of sustainable technologies, the Company is committed to safe environmental practices and local community wellbeing.

The Alkane Group's projects and operations are located in the Central West of New South Wales (NSW), in eastern Australia. Chief among them are the Tomingley Gold Operations, a medium-sized gold operation near Dubbo that commenced production in February 2014, and the Dubbo Zirconia Project, a major development scheduled to commence construction in 2017.

The Dubbo Zirconia Project will position Alkane as a strategic and significant producer of zirconium, hafnium, niobium and rare earth products. Several other exploration projects in the region are also being evaluated.

Alkane is committed to safe environmental practices and biodiversity improvement at all its mining and exploration sites. The Company takes care to minimise the environmental impact of its activities, from pre-planning and commencement, through to adopting dedicated site rehabilitation programs upon completion.

The wellbeing of neighbouring local communities is also extremely important. The Company has been an active and contributing member of the Central West NSW community for over 25 years, supporting local education and training, employing locally, engaging with community activities and preferring to purchase local products and services where practicable.

Alkane (ASX and OTCQX (US) listed) is an investment opportunity for investors seeking exposure to an Australian company with Australian projects of international significance.

ALKANE'S PROJECT LOCATIONS IN CENTRAL WEST NEW SOUTH WALES

MULTI-COMMODITY MINING

Alkane is currently producing gold at Tomingley Gold Operations and developing the Dubbo Zirconia Project, which will produce zirconium, hafnium, niobium and rare earths.

ZIRCONIUM

Zirconium is a corrosion-resistant metal used in a wide variety of engineering, industrial and everyday applications – including the auto exhaust catalyst, electronics, engineering and refractory ceramic, energy, optical glass and alloys industries.

The source of zirconium at the Dubbo Zirconia Project is a hydrous zirconium silicate mineral that offers an important new source of zirconium materials that is unrelated to titania mineral sands operations, which have traditionally produced zirconium materials as a valuable by-product. The project will produce a range of particularly high-purity zirconium materials (99.9%), owing to the recovery of hafnium from the process stream.

HAFNIUM

Hafnium is a lustrous grey metal with growing application in superalloys used in the aerospace industry. It also has increasing use in industrial gas turbines, plasma cutting tips, ultra-high temperature ceramics, and advanced materials used in the microelectronics and optoelectronics industries.

Chemically resembling zirconium, hafnium is always found in zirconium minerals, from which it needs to be extracted using advanced metallurgical processing. To-date, most of the world's hafnium metal has been produced as a by-product of the nuclear industry, which requires hafnium-free zirconium. The Dubbo Zirconia Project represents an opportunity to produce hafnium and high-purity zirconium materials without nuclear industry imperatives.

NIOBIUM

Niobium is a metal with superconductive properties that is used mostly in alloys and superalloys. It is usually sold as niobium pentoxide or ferroniobium; niobium metal is produced in small quantities. Niobium is used widely as an alloying element for steel turbines and other engineering steels, magnets, glass and capacitors for electric motors and mobile electronics.

RARE EARTH ELEMENTS

Rare earths, or rare earth elements (REEs), are a group of metallic elements in the periodic table which have diverse chemical, electronic and magnetic properties. These make them ideal for a range of technological and 'green energy' applications.

REEs such as neodymium, praseodymium, didymium (praseodymium-neodymium), dysprosium and terbium are in particularly high demand for use in lightweight high-strength magnets. The Dubbo Zirconia Project will produce a high purity rare earth chemical concentrate (95% REO), which will be separated into high value rare earth oxides under a toll processing agreement.

"After receiving development consent for the Dubbo Zirconia Project in May 2015, we have focused on fine-tuning the engineering design, acquiring licences and advancing funding to underpin this important investment asset. Meanwhile, our plans to expand mining operations at Tomingley have progressed, with the announcement of initial underground ore reserves and approval for the Caloma Two open cut."

Welcome to the 2016 Annual Report for Alkane Resources Ltd. It has been another productive year, with significant milestones achieved at both Tomingley Gold Operations and the Dubbo Zirconia Project. Tomingley generated revenues of $109.1 million, a cash operating surplus of $24.6 million and a pre-tax profit of $14.3 million, supporting an overall profit after tax for the Alkane group of $4.7 million.

TOMINGLEY GOLD OPERATIONS

Our gold operations at Tomingley, near Dubbo in Central West New South Wales, experienced an excellent year, with both production and cost outcomes falling within guidance. A total of 67,812 ounces of gold was poured during the reporting period, which is in-line with the production estimate.

Mining activity continued in all three established pits throughout the year, with ore production commencing in Wyoming One shortly after the Wyoming Three pit was completed. In support of our plans to expand mining operations, we were delighted to receive approval from the NSW Department of Planning & Environment in July 2016 for development of the Caloma Two open cut. The Company also reported an estimated initial underground ore reserve for the Wyoming One and Caloma deposits in December 2015. Both the Caloma Two resource and underground operations below the Wyoming One and Caloma ore bodies are now incorporated into the life of mine schedule.

DUBBO ZIRCONIA PROJECT

Alkane's Dubbo Zirconia Project (DZP) is expected to position the Company as a strategic and significant world producer of zirconium, hafnium, niobium and rare earth products. After receiving development consent in May 2015, we have focused the past year on progressing the engineering design, acquiring licences and advancing funding to allow the Company to proceed with development of this important investment asset.

We have now secured all required approvals and licences, including the Mining Lease and Environment Protection Licence, as well as federal approval under the Commonwealth Environment Protection and Biodiversity Conservation Act 1999. Following completion of the Front End Engineering Design (FEED) by Hatch in August 2015, we have been working with Outotec under an Early Contractor Involvement agreement to find further value in the design.

In June/July of this year, the Company completed a pro rata entitlement offer to shareholders (and placement of shortfall from the offer), raising approximately A$16 million. These funds are to be utilised predominantly to progress the DZP. The Toongi Pastoral Company was also established as a wholly owned subsidiary of Alkane to manage the farming lands and Biodiversity Offset Areas.

The signing of a Letter of Intent in April 2016 with Vietnam Rare Earth JSC to toll process the DZP rare earth concentrate into individual rare earth products was a strategic step forward for the project. The partnership should provide an important route to market for the high-value magnet rare earth elements produced by the DZP, and position Alkane as a significant global producer of separated rare earths and downstream value-added products.

Finally, I am pleased to report that subsequent to the end of the financial year, the Company has signed an exclusive worldwide marketing, sales and distribution agreement with Minchem Ltd for all zirconium materials produced by the DZP, another strategic advance for the project.

RESOURCE DEVELOPMENT AND EXPLORATION

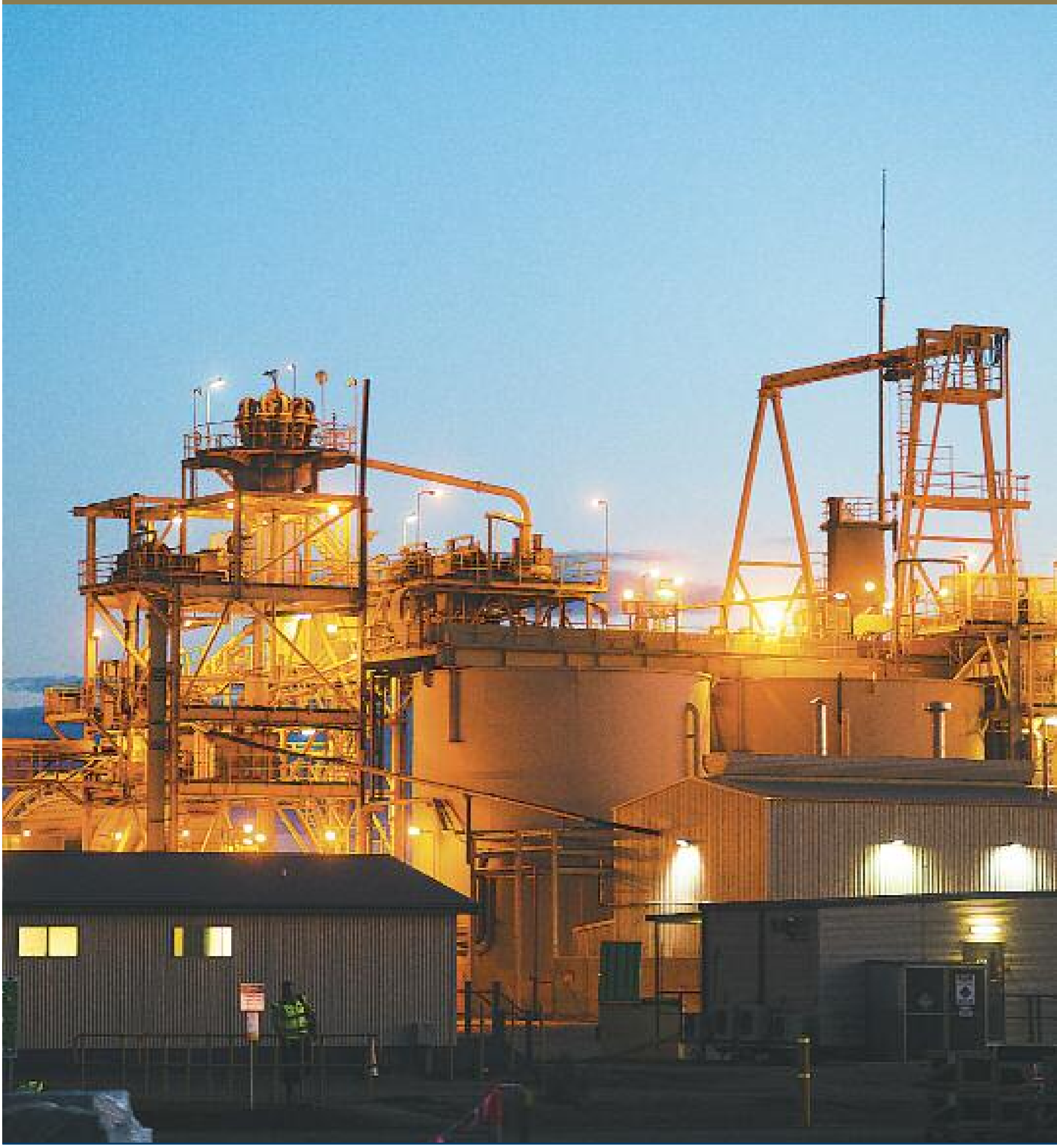
The Company has continued exploration activities at various projects in Central West NSW, with the view to expanding our mining portfolio and creating future development opportunities. Notably, further extensive gold mineralisation was identified at Bodangora in the Molong Volcanic Belt, and the Company is stepping up the exploration effort to identify additional resources in the Tomingley Gold Project area.

I extend my personal thanks to my fellow directors, the exploration, operations and support teams, our consultants and our many shareholders for their ongoing support of Alkane.

John S F Dunlop

Chairman

Another excellent year for Tomingley Gold Operations saw ore production commence in the Wyoming One deposit, release of the first underground ore reserve estimates, and development approval for the Caloma Two open pit.



TOMINGLEY GOLD OPERATIONS

The gold operations at Tomingley are based on four gold deposits (Wyoming One, Wyoming Three, Caloma and Caloma Two) totalling 687,000 ounces, located approximately 50 kilometres south-west of Dubbo in Central West NSW. Underground operations below the Wyoming One and Caloma ore bodies are now incorporated into the life of mine schedule (which extends six years from now).

Operated by Tomingley Gold Operations Pty Ltd (TGO), a wholly owned subsidiary of Alkane, Tomingley gold mine was commissioned in January 2014 and has been operating at the design capacity of 1Mtpa since late May 2014.

The 2016 financial year was excellent for TGO, with both production and cost outcomes falling within the original full year guidance issued over a year ago. Mining activity took place in three pits, with ore production commencing in Wyoming One shortly after the Wyoming Three pit was completed. Ore reconciliations remain in line with updated resource modelling and gold poured was in line with the production estimate.

MINING AND PROCESSING

Mining activity in the 2016 reporting period occurred in all three of the site's active pits – Caloma, Wyoming One and Wyoming Three. After waste stripping activity in Wyoming One during the first two quarters, mining of ore commenced in the March quarter and volumes increased over the period. Ore production continued in the Caloma pit for the entire reporting period, whereas the Wyoming Three pit was completed in the December 2015 quarter, and is now being used for water storage. In July 2016, the NSW Department of Planning & Environment granted approval for development of the Caloma Two open cut, which is expected to commence in the December 2016 quarter.

The Company reported an estimated initial underground ore reserve for the Wyoming One and Caloma deposits in December 2015. The mining assessment indicated that ore production would commence nine months after the start of development of a portal in the Caloma open pit and continue for 33 months (2.75 years). During this production period, it is anticipated that the high-grade underground ore would be blended with stockpiled low-grade ore from the open pits, and used to supplement open pit mill feed to maintain a consistent ore throughput and feed grade.

Since reaching design capacity in May 2014, TGO continues to operate at the 1Mtpa rate. Unseasonably high rainfall in the June 2016 quarter resulted in a temporary reduction in overall material movements; however, mining productivity remained high and overall total costs met forecast. Overall ore reconciliation for the reporting period fell in line with resource model predictions – taking into account the Caloma model was revised for the presence of cross cutting unmineralised dolerite dykes. Over its life, the Wyoming Three pit yielded 40% more ounces than modelled.

Despite heavy rainfall events in May and June, gold poured for the year totalled 67,812 ounces, within the predicted 60,000 – 70,000 ounces. Production for the 2017 financial year is estimated to be 65,000 – 72,000 ounces.

KEY PROJECT MILESTONES (2015-2016)

- **Gold poured 67,812 ounces**
- **Full year sales of 67,893 ounces**
- **Revenues of $109.1M and operating cash flow of $24.6 million**
- **Wyoming Three completed October 2015**
- **Ore production commenced Wyoming One in March 2016 quarter**
- **Initial underground ore reserves released December 2015**
- **Approval for development of Caloma Two pit received in July 2016**

Other works carried out at TGO during the reporting period include scheduled maintenance refurbishments of the leach tanks, a scheduled wall lift of the site's residue (tailings) storage facility, and the commencement of rehabilitation of the outer faces of the waste rock emplacements.

To conclude the matter of the prosecution brought against TGO by the NSW Environment Protection Authority (EPA), following two minor environmental incidents in 2014, the Company pleaded guilty in May 2015 and was fined $95,000 in October 2015. TGO reported the incidents when they occurred (March – June 2014) and took full responsibility. The incidents involved water runoff from the site's earthworks due to extremely heavy downpour and subsequent deposit of topsoil on the Newell Highway and an adjacent property. No chemicals were involved and there has been no evidence of environmental damage. TGO has implemented changes to minimise the chances of this type of incident recurring.

TGO PRODUCTION FIGURES BY QUARTER

		SEPT QUARTER 2015	DEC QUARTER 2015	MARCH QUARTER 2016	JUNE QUARTER 2016	FY 2016
TGO Production						
Waste mined	BCM	1,676,850	1,447,753	1,839,737	1,235,480	6,199,820
Ore mined	Tonnes	433,744	277,061	198,877	375,772	1,285,454
Strip Ratio	Ratio	10.6	14.4	23.6	7.2	12.2
Grade	g/t	1.87	1.84	1.93	1.75	1.84
Ore milled	Tonnes	271,980	257,998	270,155	295,972	1,096,105
Head grade	g/t	2.44	1.93	2.02	1.94	2.08
Recovery	%	92.6	91.4	89.5	90.5	90.9
Gold poured	Ounces	19,789	15,347	14,612	18,064	67,812
Revenue Summary						
Gold sold	Ounces	21,000	14,250	15,000	17,733	67,983
Average price realised	A$/oz	1,565	1,583	1,621	1,658	1,605
Gold revenue	A$M	32.9	22.6	24.3	29.4	109.1
Cost Summary						
Mining	A$/oz	784	731	774	659	736
Processing	A$/oz	242	322	361	266	292
Site Support	A$/oz	78	113	114	84	96
C1 Site Cash Cost	**A$/oz**	**1,104**	**1,166**	**1,249**	**1,009**	**1,124**
Royalties	A$/oz	46	43	45	51	46
Sustaining capital	A$/oz	36	44	1	39	31
Rehabilitation	A$/oz	16	20	22	15	18
Corporate	A$/oz	32	43	41	35	37
AISC[1]	**A$/oz**	**1,234**	**1,316**	**1,358**	**1,149**	**1,256**
Stockpiles						
Ore for immediate milling	Tonnes	678,681	698,744	618,218	701,047	701,047
Grade	g/t	0.95	0.94	0.80	0.82	0.82
Contained gold	Ounces	20,735	21,155	15,914	18,480	18,480

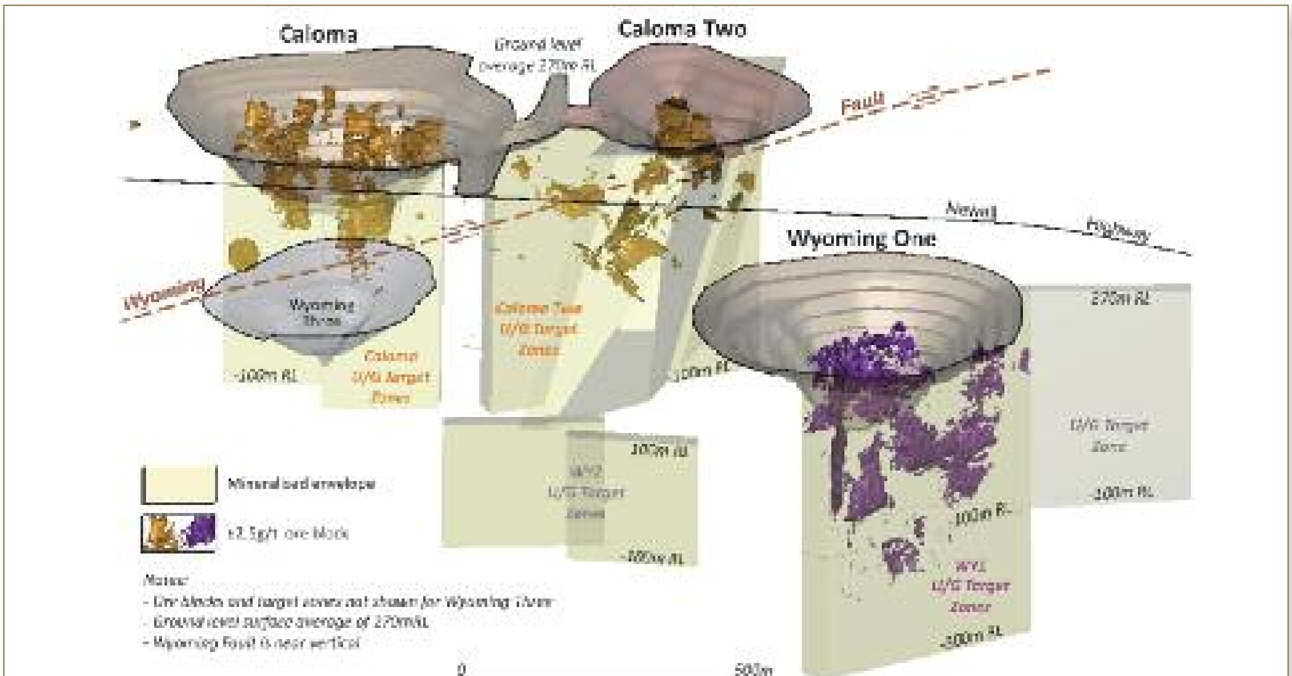
1. *AISC = All in Sustaining Cost comprises all site operating costs, royalties, mine exploration, sustaining capex, mine development and an allocation of corporate costs, on the basis of ounces produced. AISC does not include share based payments or net realisable value provision for ore inventory.*

COSTS AND FINANCING

The average All In Sustaining Cost (AISC) for the 2016 financial year was A$1,256 per ounce produced. This is higher than the anticipated long-term life-of-mine AISC of A$1,000 – 1,100/oz due to waste stripping in the Wyoming One pit. Persistent rainfall events continue to impact production; however, subject to modifying weather conditions, 2017 financial year production is estimated to be 65,000 – 72,000oz with an AISC range of A$1,200 – 1,300/oz. The key variables will be performance at the Caloma pit and timing of high grade ore releases from Wyoming One.

A total of 67,983 ounces of gold were sold in the 2016 financial year at an average realised price of A$1,605, generating revenue of A$109.1 million and an operating cash flow of A$24.6 million. The Company maintains a hedging program to provide a level of protection against any short term gold price weakness, and at 30 June 2016, A$ gold forward contracts were in place for 63,900 ounces at an average forward price of $1,690 per ounce.

TGO has entered into a working capital facility for A$14 million with Macquarie Bank Limited to facilitate progressing the development of underground operations and exploration activities with a view to extending mine life. Prior to this, the TGO development was fully funded by Alkane without any borrowings or debt, and the group retains a low level of leveraging after this financing. Excess funds generated by TGO during the reporting period were applied to the activities underpinning continuing evaluation and development of the Dubbo Zirconia Project.



MAP OF TGO UNDERGROUND TARGET ZONES

TOMINGLEY GOLD OPERATIONS – SITE LAYOUT

MINERAL RESOURCES AND ORE RESERVES

The Company reports ore reserves and mineral resources for the Tomingley Gold Operations as at 30 June 2016 in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012).

These estimates take into account ore depleted by mining during the 2016 financial year and were reported to the ASX on 22 September 2016.

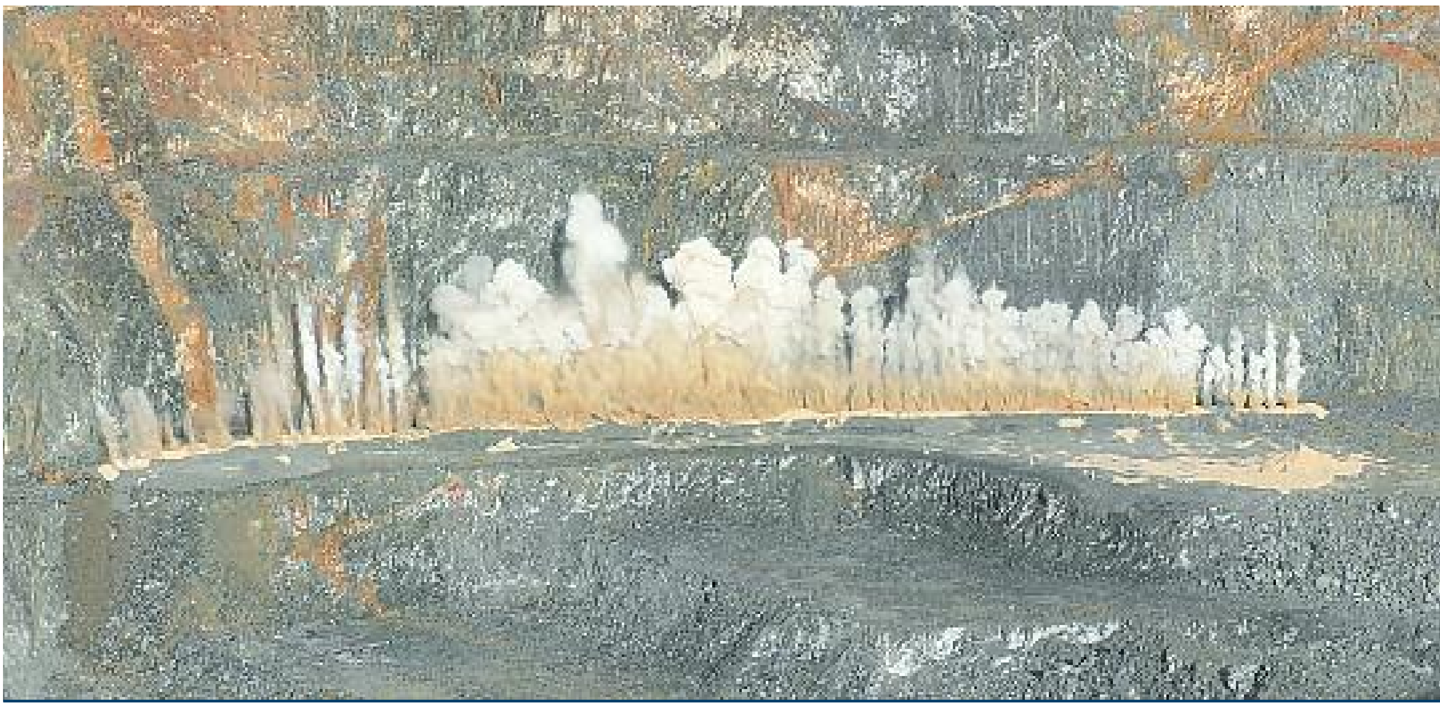
MINERAL RESOURCES

The reportable mineral resources for TGO incorporate both open pittable and underground resources for the four deposits (Wyoming One, Wyoming Three, Caloma and Caloma Two) associated with TGO. These mineral resources are wholly inclusive of ore reserves. Full details are given in the ASX release of 22 September 2016.

TOMINGLEY GOLD PROJECT MINERAL RESOURCES (AS AT 30 JUNE 2016)

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		TOTAL GOLD
	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	(Koz)
Open Pittable Resources (cut off 0.50g/t Au)									
Wyoming One	1,980	1.7	416	1.6	671	1.1	3,067	1.6	153
Wyoming Three	86	2.0	16	1.3	33	1.4	135	1.7	8
Caloma	604	1.3	1,892	1.4	1,204	1.4	3,700	1.4	163
Caloma Two			1,085	2.4	704	1.3	1,789	2.0	112
Stockpiles							701	0.8	18
Sub Total	2,670	1.6	3,409	1.7	2,612	1.3	9,392	1.5	454
Underground Resources (cut off 2.50g/t Au)									
Wyoming One	169	4.8	206	4.4	363	4.2	738	4.4	104
Wyoming Three	10	3.6	6	3.1	4	3.1	20	3.4	2
Caloma			1	2.9	18	2.9	19	2.9	2
Caloma Two			92	3.5	63	3.2	155	3.3	17
Sub Total	179	4.7	305	4.1	448	4.0	932	4.2	125
TOTAL	2,849	1.8	3,714	1.9	3,060	1.7	10,324	1.8	579

* *apparent arithmetic inconsistencies are due to rounding*



ORE RESERVES

In December 2015, the Company released details of an initial estimated underground ore reserve for the Wyoming One and Caloma deposits (ASX announcements 10 and 18 December 2015 – the Company confirms that all material assumptions and technical parameters underpinning this reserve continue to apply and have not materially changed). These underground ore reserves are in addition to the open pit reserves previously reported. The following table lays out the total reportable ore reserves for TGO. Full details are given in the ASX release of 22 September 2016.

TOMINGLEY GOLD PROJECT ORE RESERVES (AS AT 30 JUNE 2016)

DEPOSIT	PROVED		PROBABLE		TOTAL		TOTAL GOLD
	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	(Koz)
Open Pittable Reserves (cut off 0.50g/t Au)							
Wyoming One	1,297	1.7	150	1.5	1,447	1.6	78
Wyoming Three	0	0	0	0	0	0	0
Caloma	116	1.7	722	1.6	838	1.6	43
Caloma Cut Back	233	1.4	251	1.1	484	1.2	19
Caloma Two	-	-	318	3.2	318	3.2	33
Stockpiles	701	0.8	-	-	701	0.8	18
Sub Total	2,347	1.4	1,441	1.9	3,788	1.5	191
Underground Reserves (cut off 2.50g/t Au)							
Wyoming One	224	4.0	301	3.4	524	3.7	62
Sub Total	224	4.0	301	3.4	524	3.7	62
TOTAL	2,571	1.6	1,742	2.2	4,312	1.8	253

* *apparent arithmetic inconsistencies are due to rounding*

COMPARISON OF 2015 / 2016 MINERAL RESOURCES AND ORE RESERVES

The table below compares the resources and reserves year on year with 2015 as per the current reporting requirements.

DEPOSIT	TOTAL RESOURCES						TOTAL RESERVES					
	2015			2016			2015			2016		
	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)
Wyoming One	4,083	2.1	271	3,067	1.6	153	1,867	1.5	94	1,447	1.6	78
Wyoming Three	387	2	24	135	1.7	8	178	1.5	9	0	0.0	0
Caloma	4,837	1.7	263	3,700	1.4	163	1,319	1.9	80	838	1.6	43
Caloma Cutback				Caloma cutback included in Caloma			288	1.4	14	484	1.2	19
Caloma Two	1,944	2.1	129	1,789	2.0	112	243	3.5	27	318	3.2	33
Stockpiles	468	0.8	12	701	0.8	18	468	0.8	12	701	0.8	18
Underground				932	4.2	125				524	3.7	62
TOTAL	11,719	1.9	699	10,324	1.8	579	4,363	1.6	236	4,312	1.8	253

* *apparent arithmetic inconsistencies are due to rounding*

The primary differences from 2015 to 2016 are:

- Ore mined from Caloma, Wyoming Three and Wyoming One during the period
- Inclusion of maiden underground reserve
- Caloma reserves used an updated geological/structural model based on in-pit mapping and grade control drilling, as well revised geotechnical parameters
- Caloma Two reserve based on new pit design
- Wyoming One reserve based on new pit design

With all government approvals and licences now in place, the Dubbo Zirconia Project is now ready for detailed design and construction to commence, contingent on financing. Land acquisitions were finalised in June 2016, and for much of the year the Company has been working with a global minerals and metals technology supplier to find further value in the design and reduce the project's overall cost.

DUBBO ZIRCONIA PROJECT

The Dubbo Zirconia Project (DZP) is based on large in-ground resources of zirconium, hafnium, niobium, yttrium and rare earth elements, making it a potential strategic supply of critical minerals for a range of 'high-tech' and sustainable technologies. It is the most advanced project of its kind outside China, and the products of the DZP are considered both 'strategic' and 'critical' by global markets, due to their economic importance and supply risk.

This unique ore body, which has a potential mine life of 70+ years, is located at Toongi, 25 kilometres south of the large regional centre of Dubbo in Central West NSW. It is being developed by Australian Zirconia Limited (AZL), a wholly owned subsidiary of Alkane.

PROJECT DEVELOPMENT MILESTONES

APPROVALS AND LICENCES

All NSW State Government and Australian Federal Government approvals for the development of the DZP are now in place. Following final development approval from the NSW Department of Planning and Environment (DPE) on 28 May 2015, the DZP received federal approval under the Commonwealth Environment Protection and Biodiversity Conservation Act 1999 on 24 August 2015. The Mining Lease for DZP was granted by the NSW Department of Industry, Division of Resources and Energy on 18 December 2015. Mining Lease 1724 covers 2,390 hectares and includes the operating site, significant Biodiversity Offset Areas and residual agricultural land. The Environment Protection Licence (EPL) was granted on 14 March 2016.

LAND ACQUISITION

The final land acquisitions covering the project area were completed during the June quarter. The Company owns about 3,441 hectares around the project site, of which 520Ha is required for mining and processing operations, 1,021Ha is allocated to Biodiversity Offset Areas, with the remaining 1,900Ha to be retained for farming. To manage the farming lands and Biodiversity Offset Areas, Toongi Pastoral Company Pty Ltd (TPC) has been established and a professional manager engaged to oversee these operations. A comprehensive business plan is being developed for TPC to be a self-sustaining and profitable agricultural enterprise.

KEY PROJECT MILESTONES (2015-2016)

- **Front End Engineering Design (FEED) completed in August 2015 delivering a completed capital cost estimate of A$1.3B at an accuracy of ±15%**
- **Federal approval under the Commonwealth Environment Protection and Biodiversity Conservation Act 1999 received 24 August 2015**
- **Early Contractor Involvement agreement signed with Outotec in September 2015**
- **Mining Lease 1724 granted 18 December 2015**
- **Environment Protection Licence granted 14 March 2016**
- **Rare earths toll processing Letter of Intent signed with VTRE in April 2016**
- **Final land acquisitions completed in June 2016 and Toongi Pastoral Company established**
- **Global marketing, sales and distribution agreement signed with Minchem in August 2016**

FINANCING

On 26 April 2016 the Company announced a one for five share entitlement offer to all eligible shareholders at a price of A$0.20 to raise about A$16 million. Approximately 75% of the offer was taken up by existing shareholders and the shortfall was placed (at the same issue price) to institutional and professional investors. Total funds raised of $16.5 million, less the costs of the issue, are to be applied predominantly to DZP related expenditures, including land acquisitions, further pilot plant tests, and development of strategic partnerships.

AZL continues to work with its advisors to progress full funding of the project. The broad strategy has not changed, with strategic investment, Export Credit Agency finance and commercial debt remaining as the key components of the envisaged project funding suite. The next key step in the full financing program is customer confirmation of products certification and committed off-take agreements that will underpin the financial model.

ENGINEERING AND COSTS

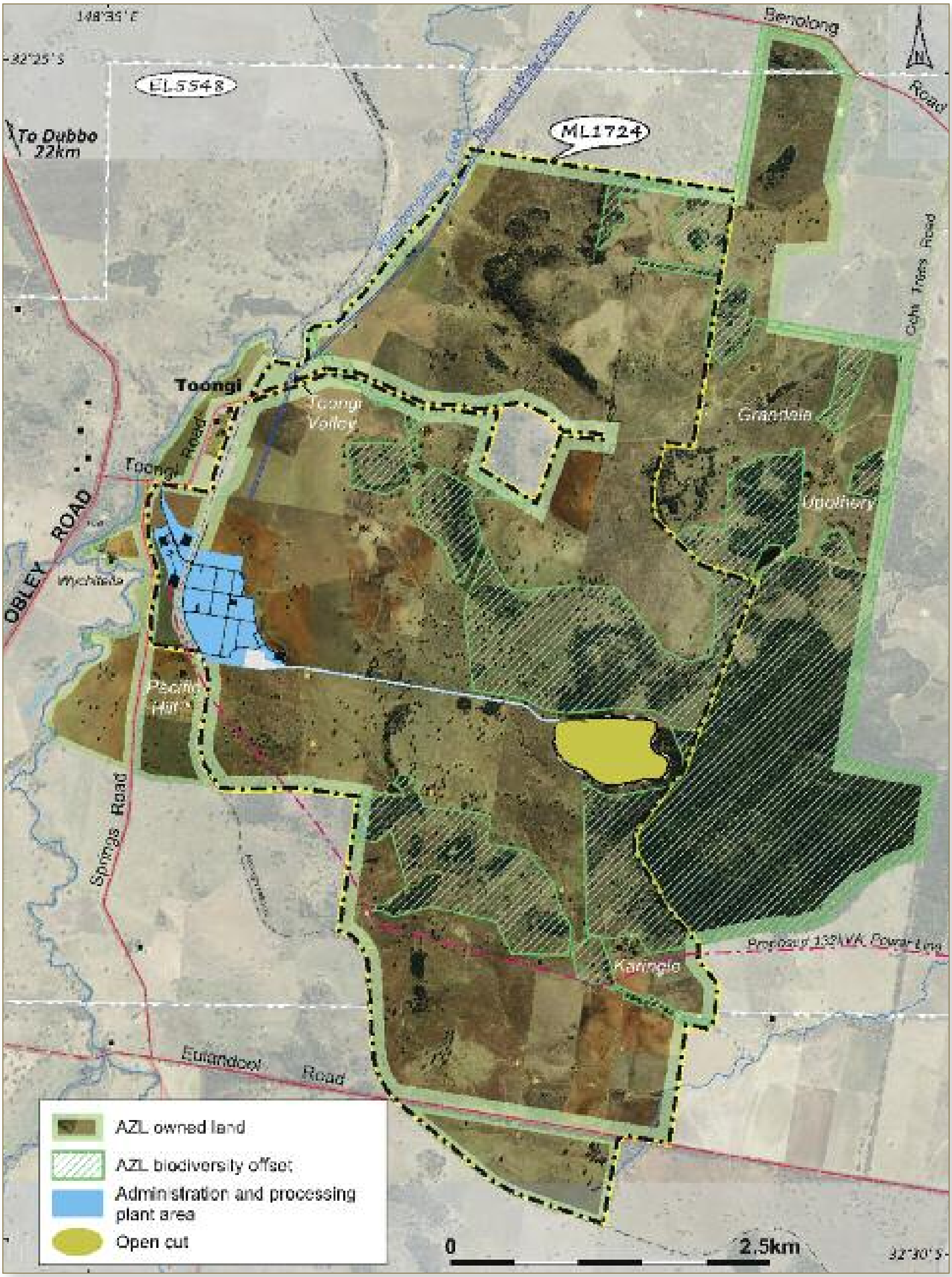
The Front End Engineering Design (FEED) study for the DZP was completed by Hatch Pty Ltd in August 2015. The FEED included a completed capital cost estimate to bring the project into operation of A$1.3B (US$0.97B) at an accuracy of ±15%, including a contingency of A$103M (8%). The estimate was prepared on an Engineering, Procurement and Construction Management (EPCM) basis, and contained firm pricing for most of the packages from the marketplace.

Following the FEED study and analysis of other factors, AZL estimated DZP steady state operating costs to be A$260 million per annum, generating an average EBITDA of A$320M per year, a 20-year net present value (NPV) of A$1.22B (discount rate of 8% and pre-tax) and an internal rate of return (IRR) of 17.5%. This indicates an overall cost to produce a kilogram of any product would be in the range US$7.50 to US$8.00/kg with revenue averaging US$17.00/kg.

Several significant process improvements resulted from the FEED study – including improvements for water management and waste treatment, as well as a revamped rare earth circuit to improve recoveries. Projected water consumption was reduced from 4 gigalitres per annum to 2Glpa, and the site footprint halved to 520 hectares. The design was also modified to provide closer integration and/or more tailored products to downstream customers and toll treatment partners.

To find further value in the design and reduce the project's overall cost, the Company signed an Early Contractor Involvement (ECI) agreement with global minerals and metals technology supplier, Outotec Pty Ltd, in September 2015. Discussion with Outotec has focused on equipment supply, technology application and construction methodology. After the initial phase of the ECI, the intention remains for Outotec to execute the process plant part of the scope for AZL on an Engineering, Procurement and Construction (EPC) basis. This has the advantage of developing a key technology and support relationship, as well as capping the execution risk for AZL.

The project is now ready for detailed design and construction to commence, contingent on financing. The first stage of construction will involve the detailed design of the processing facility, followed by establishment of site infrastructure (water supply, power line construction, road works) and site earthworks. Construction of the processing plant is expected to occur over a 24 month period.



DUBBO ZIRCONIA PROJECT – PROPOSED SITE LAYOUT

MINERAL RESOURCES AND ORE RESERVES

DUBBO ZIRCONIA PROJECT MINERAL RESOURCES

Toongi Deposit	Tonnage (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	REO (%)
Measured	35.70	1.96	0.04	0.46	0.03	0.14	0.75
Inferred	37.50	1.96	0.04	0.46	0.03	0.14	0.75
Total	73.20	1.96	0.04	0.46	0.03	0.14	0.75

The full details of methodology were given in the 2004 Annual Report.

DUBBO ZIRCONIA PROJECT ORE RESERVES

Toongi Deposit	Tonnage (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	REO (%)
Proved	8.07	1.91	0.04	0.46	0.03	0.14	0.75
Probable	27.86	1.93	0.04	0.46	0.03	0.14	0.74
Total	35.93	1.93	0.04	0.46	0.03	0.14	0.74

The full details of methodology were given in the ASX announcement of 16 November 2011

Note: ASX announcements 16 November 2011, 11 April 2013 and 30 October 2013 – The Company confirms that all material assumptions and technical parameters underpinning the estimated Mineral Resources and Ore Reserves, and production targets and the forecast financial information as disclosed, continue to apply and have not materially changed. This was also confirmed with the completion of the front end engineering design (FEED) reported in the ASX announcement 27 August 2015.

PROCESS AND PRODUCT DEVELOPMENT

Over many years, the Company has developed a flow sheet consisting of sulphuric acid leach followed by solvent extraction recovery and refining to produce several products, including high purity zirconium, niobium, rare earth, and more recently hafnium products.

Alkane has been working with the Australian Nuclear Science and Technology Organisation (ANSTO) since 2006. A demonstration pilot plant (DPP), located at ANSTO Minerals' Lucas Heights facility in Sydney since 2008, has proved the project's technical viability and provided material for market assessment. Operation of the DPP has also informed the feasibility studies for capital and operating cost estimates.

A new series of DPP trials to assist with further product refinement, confirmation of recent laboratory test results, and production of hafnium, zirconium and rare earth concentrates for customer evaluation commenced in August 2016.

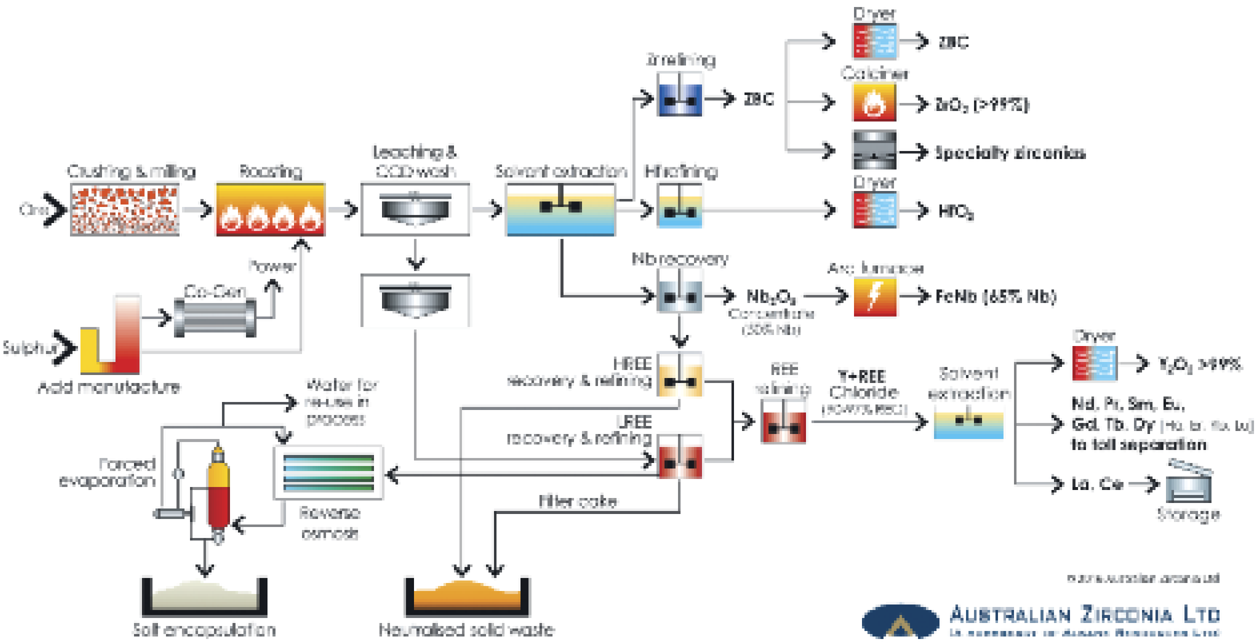
HAFNIUM AND ZIRCONIUM

In 2015, the Company developed a process pathway to recover hafnium from the zirconium circuit as an additional product for the DZP. An extended test program commenced at ANSTO during the September 2015 quarter, successfully producing a hafnium concentrate from a mini pilot plant.

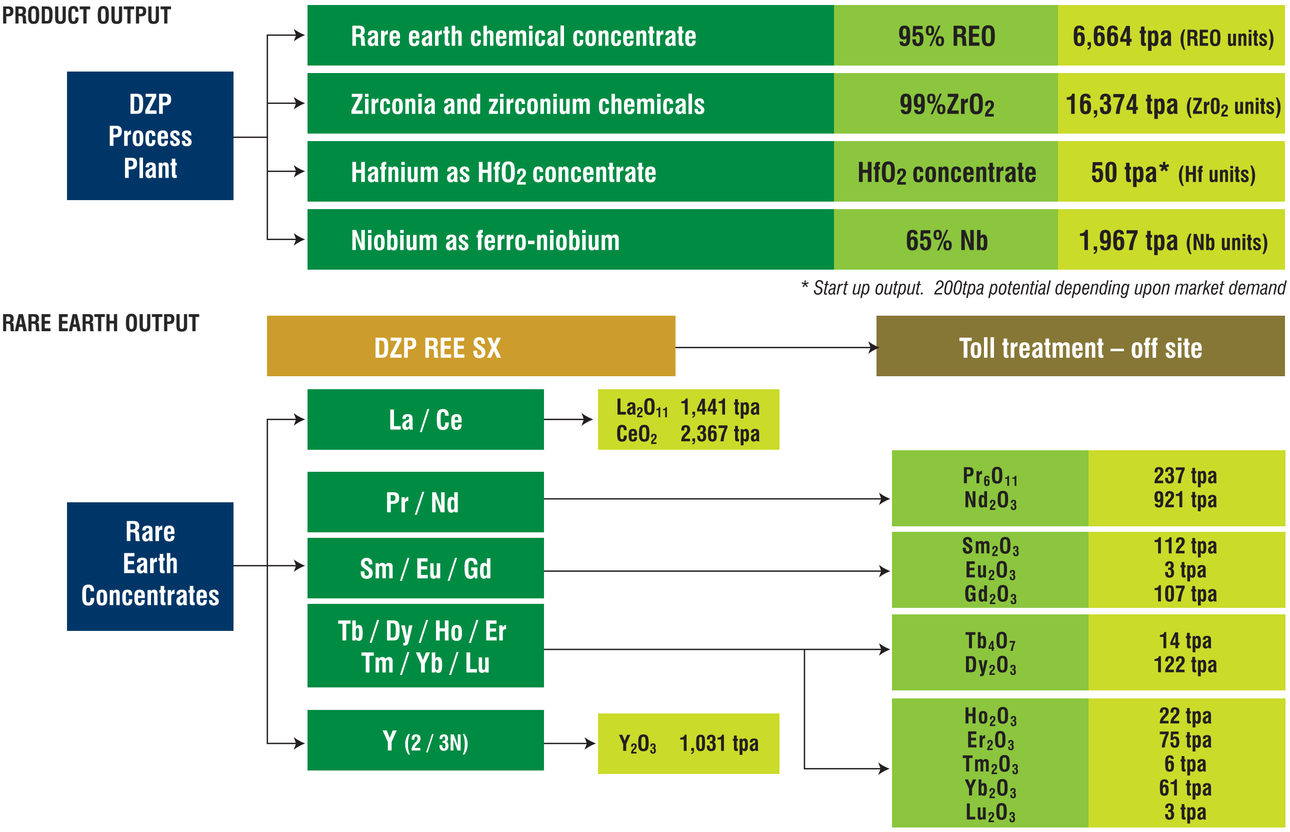
Further development work on the hafnium and zirconium circuit helped improve understanding of the flow sheet and identify the specifications of the final hafnium concentrate and the zirconium 'strip liquor' that is converted to downstream zirconium chemicals and zirconium dioxide. The removal of hafnium (along with other impurities) from the zirconium stream has resulted in much higher-quality and higher-purity zirconium products.

Inclusion of the hafnium circuit has little impact on the existing flow sheet, and has added significant value to the project.

DUBBO ZIRCONIA PROJECT – FLOW SHEET



PROJECTED TONNAGES BASED ON RECOVERIES DEVELOPED FROM MASS BALANCES OF THE DEMONSTRATION PILOT PLANT



Tonnage based upon recoveries developed from mass balances of the demonstration pilot plant, and preliminary solvent extraction stages on site at the DZP. Total saleable RE products from site ~1,030 tpa and off site ~ 1,675 tpa.

MARKETING

Discussions with key customers and stakeholders for DZP products continued throughout the year, with a high level of interest shown in the recent process improvements and the additional information provided in the Front End Engineering Design (FEED). In addition to meetings with several leading international companies in Australia, dedicated visits were made to prospective customers in Europe, North America and Asia, to discuss the various product outputs from the DZP.

The Company presented at a number of international conferences and congresses focused on rare earths and zirconium materials, including the Netherlands (MMTA annual conference), Canada, Singapore and China. During early August 2016, AZL attended the Baotou Rare Earth Conference in China. This premier rare earths conference is run by the government and is only open to foreign participants every four years by invitation.

The importance of the DZP as a new long-term secure source of critical metals and oxides, that will diversify global supply, continues to gain recognition and support from companies and governments seeking to reduce dependence on current sources, particularly China. Although many of the product prices are at four year lows, the diverse spread of output by the DZP enables a robust revenue stream to be determined as the project ramps up and the specialty metal market stabilises. The Company has joined the London-based Minor Metal Trade Association (MMTA) to assist with market recognition of the DZP's output.

ZIRCONIUM MARKETING AND SALES AGREEMENT

In August 2016, AZL signed an exclusive worldwide marketing, sales and distribution agreement with UK-based Minchem Ltd for all zirconium materials produced by the DZP. Minchem is a technical ceramics marketing and manufacturing business that has been involved in zirconium chemicals and zirconium dioxide products for over 40 years.

The initial term of the agreement is for five years from commencement of DZP production, with an option to extend for a further five years by mutual agreement. It provides AZL with an experienced partner to market DZP zirconium products directly to key end users in all major markets, and will also assist in the creation of higher value zirconium products.

RARE EARTH ELEMENTS TOLL PROCESSING

In April 2016, AZL signed a Letter of Intent (LOI) with advanced chemical and materials company, Vietnam Rare Earth JSC (VTRE), to toll process the DZP rare earth concentrate into individual rare earth products. The LOI states that AZL will have an exclusive right for 12 months to complete due diligence and for the parties to finalise the terms of the agreement, including the option to purchase equity in VTRE. VTRE's facilities are located near Hanoi and have full regulatory approvals for operations and environmental management.

The partnership will allow AZL to provide a supply (alternative to that from China) of separated rare earth products, guaranteeing certification and supply chain traceability from ore mined and processed in Australia through to customers' products. It will also allow AZL to participate in downstream markets and capture further value-adding for its rare earth products. VTRE's rare earths operating costs are similar to or lower than in China, which will ensure that AZL's production costs will be world competitive. An AZL/VTRE joint marketing company is planned as the vehicle to market VTRE's currently produced rare earths and associated downstream products.

PRODUCT MARKETS

The markets for all DZP products have remained generally flat over the past year, largely due to over-supply and high operating costs in China, which is responsible for 80% or more of global rare earths and zirconium production. However, an important recent development is the Chinese Government's drive to improve the efficiency, profitability and long-term sustainability of the industry, by targeting capacity reduction (to remove over-supply), consolidation and technology innovation. Successful restructuring of the market will have significant flow-on benefits for products from the DZP sold in export markets and into China.

ZIRCONIUM

The zirconium market remains flat, with a downward bias on zircon (zirconium silicate). Zircon is the key raw material for most zirconium products, including zirconium oxychloride (ZOC), from which downstream zirconium chemicals are produced. The zirconium chemicals market segment retains the best outlook for growth and development in coming years, owing to the high growth rates (5-10%) for some advanced technologies, such as automotive catalysts for pollution control. DZP products will provide a potential new source for many common zirconium chemicals products on the global market.

RARE EARTH ELEMENTS

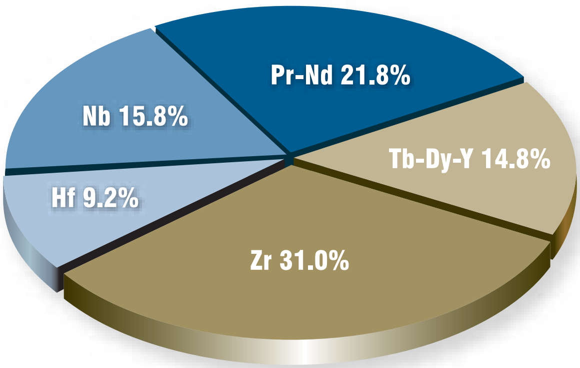
Despite a generally weak rare earths market, the demand for magnet rare earths (praseodymium, neodymium, mixed praseodymium-neodymium, dysprosium and terbium) remains strong. The Industrial Mineral Company of Australia (IMCOA) estimates this sector is responsible for over 30% of all rare earths demand, and forecasts a growth rate of 6-8% per year over the next several years.

FERRO-NIOBIUM

The niobium market remains flat, but is holding up better than most other minor metals markets due to the support and concentration of the three main producers. High strength low alloy steel (HSLA) is the main application for ferro-niobium, which will be produced by the DZP joint venture with Treibacher Industrie AG. AZL will be the sole producer of FeNb in Australia.

HAFNIUM

The demand for hafnium continues to exceed supply – primarily due to the current linkage with the nuclear industry and the production of hafnium-free zirconium metal, for which there is weak demand. As a result, spot hafnium prices have almost doubled in the last three years. This underlines the importance of having a new source of hafnium that is independent of the nuclear industry, as its use in high-temperature aerospace superalloys and microelectronics increases. Hafnium from the DZP stands to become a major supply source to meet current and future needs.



DZP REVENUE SPLIT
Revenue from other rare earths makes up the balance

The Company has continued exploration activities at various projects in Central West NSW. Notably, further extensive gold mineralisation was identified at Bodangora in the Molong Volcanic Belt, and the Company is stepping up the exploration effort to identify additional resources in the Tomingley Gold Project area.

TOMINGLEY GOLD PROJECT (INCLUDING PEAK HILL GOLD MINE) (AU)

The Company is stepping up the exploration effort to identify additional resources in the Tomingley Gold Project area, with an extensive air core drilling program scheduled for later in 2016. Limited RC and core drilling is underway, assessing underground ore targets below the Caloma and Wyoming One open pits (part of Tomingley Gold Operations).

NORTHERN MOLONG BELT PORPHYRY PROJECT (CU-AU) (BODANGORA, KAISER & FINNS CROSSING)

This large project area is centred about 20 kilometres north of Wellington, and about 35 kilometres east of Dubbo. The tenements include part of the northern end of the Ordovician-aged Molong Volcanic Belt, which is highly prospective for alkali porphyry related mineralisation similar to the Cadia Valley deposits near Orange.

In December 2015, Alkane exercised its right under the sale and purchase agreement with Ajax Joinery Pty Ltd (Ajax) and completed the purchase of a 100% interest in the small Kaiser tenement, EL6209. Ajax retains a 2% net smelter royalty over any production from within the licence area.

Earlier work by Alkane and others has identified four monzonitic intrusive complexes within the tenements. Recent detailed structural and geochemical analysis of available surface outcrops and drilling samples has identified a stratigraphic sequence with distinct petrological and geochemical similarities to the rocks which host the Cadia Valley deposits.

During the year, an induced polarisation (IP) survey identified a distinct chargeability feature adjacent to the Driel Creek intrusive complex, a position that is analogous to the Ridgeway deposit within Cadia Valley. Reconnaissance RC drilling of this chargeability anomaly will be undertaken in the second half of 2016. A limited RC drilling program of seven holes (totalling 1,761 metres) was also completed, testing targets within and adjacent to the Kaiser intrusive complex. A zone of alteration with significantly elevated gold ± copper (e.g. KSRC018: 311 metres, grading 0.28g/t gold and 0.06% copper from 19 metres; and KSRC013: 111 metres, grading 0.61g/t gold and 0.08% copper from 42 metres) was identified over a strike length of 1,500 metres. Detailed results of this program were announced to the ASX on 6 May 2016.

WELLINGTON (CU-AU)

The Wellington Project hosts Galwadgere, a small copper-gold deposit with volcanogenic massive sulphide-type characteristics.

During the year, an induced polarisation (IP) survey was completed to assess the potential extensions of the Galwadgere deposit to the south. Mapping and sampling of Silurian volcanics associated with IP chargeability features to the south east of Galwadgere returned results that require further follow up.

ELSIENORA (AU – BASE METALS)

Under the terms of the agreement with Balamara Resources Ltd, the Company has earned an 80% interest in the Elsienora Project, following the expenditure of $500,000 on exploration. The tenements are located 75km south of Blayney and are considered prospective for orogenic style gold mineralisation and volcanic hosted gold and base metal mineralisation. In the 2016 reporting period, an RC drilling program of 14 holes (totalling 1,594 metres) was completed, testing the strike extensions of the Cuddyong Prospect. The full results were announced to the ASX on 6 May 2016.

ROCKLEY (AU)

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

CUDAL (AU-ZN)

Cudal is located 20km north-west of the Cadia Valley Operations of Newcrest Mining Ltd. No exploration activity took place here in the 2016 financial year, while joint venture discussions have been held with third parties.

ORANGE EAST PROJECT (AU-CU)

In keeping with the Company's philosophy of continually reviewing and refreshing its exploration portfolio, a number of exploration opportunities were assessed during the year and in December 2015 the Company came to agreement with Clancy Exploration Limited (ASX code: CLY) to farm-in to the Orange East Project area. Under the terms of the agreement, Alkane can earn an initial 60% interest in the project by spending $500,000 on exploration over three years, and can elect to earn a further 20% by spending an additional $500,000 over an additional three year period.

The Orange East Project is located approximately 15km east-south-east of Orange and consists of one exploration licence covering approximately 45 square kilometres. The project area hosts the historic Carangara copper workings at Byng (1850 to 1875); however, the most compelling exploration target is at the Gunnarbee prospect, where a multi-element soil geochemical anomaly, with a similar elemental suite to the surface anomaly at McPhillamys, has been outlined over an area of 1000m by 500m.

The exploration licence was approved on 11 May 2016 and land access negotiations will commence as soon as practicable. Alkane's initial approach will be to complete soil geochemistry and ground geophysics in areas currently not covered. Drilling of highest priority targets will be undertaken once these surveys have been completed and land access has been granted.

LEINSTER REGION JOINT VENTURE (NI-AU)

Alkane has a diluting 19.4% interest in this Western Australian nickel-gold exploration venture (Miranda and McDonough Prospects). The remaining share is now held by Australian Nickel Investments Pty Ltd (ANI, a subsidiary of Western Areas Ltd), following its acquisition from Xstrata Nickel Australasia in the September 2015 quarter. ANI completed additional ground EM surveys and has scheduled drill testing some of the targets generated.

Alkane Resources strives to deliver leading-practice environmental and social performance in all that we do.

The Company is keen to assist regional communities to flourish and become more resilient, and to provide a safe and rewarding working environment for employees. We are committed to safe environmental practices and to the delivery of biodiversity improvement at all our mining and exploration sites.

Our aim is to leave a positive legacy for local communities and the land alike, that long outlasts the life of our activities in the region.

ENVIRONMENTAL MANAGEMENT

Alkane seeks to minimise its environmental footprint at all its mining and exploration sites and restore those sites to be non-polluting and productive.

We work hard to protect the wide variety of native species that live in our mining areas. Our aim is to leave our mining sites as stable functioning ecosystems despite the inevitable change in land form. This is achievable through careful design, creation of Biodiversity Offset Areas, progressive rehabilitation, monitoring and management actions.

The process commences when we start preparing land for a mining project – before any soil is turned – and includes the restoration and planting of new native habitats for animal species, especially those which are threatened and endangered, along with other measures to encourage biodiversity in the areas we are mining. After the mining process is over, mine infrastructure is removed and the final landform is rehabilitated to be left in a long-term stable condition.

TOMINGLEY GOLD OPERATIONS

Currently the Company's only operating mine, Tomingley Gold Operations possesses all the required approvals and licences for its mining and processing operations, including the Environment Protection Licence issued in 2013.

An effective cyanide destruction circuit, consistent with the International Cyanide Code, is incorporated into the gold processing plant, ensuring the site's residue storage facility is safe for local wildlife. TGO also complies with leading practice for water recycling and residue management and is undertaking progressive rehabilitation of the site's waste rock emplacements. This involves stabilisation of the outside batters (or walls) of earth and rock, and seeding of pasture species that are consistent with the Tomingley area.

The TGO site also includes 121.6Ha of Biodiversity Offset Areas, which are protected by a Conservation Property Vegetation Plan signed in agreement with Local Land Services. As part of these biodiversity offsets, the seeds from native grey box (eucalyptus) trees were harvested and used to directly seed 35Ha of native woodland. A further 6000 trees and shrubs have been planted around the site in the past couple of years.

DUBBO ZIRCONIA PROJECT

Alkane's Dubbo Zirconia Project is expected to commence construction in the 2017 financial year.

Following rigorous assessment of the Environment Impact Statement, development approval was granted by the NSW Planning Assessment Commission in May 2015. The Mining Lease was subsequently granted by the NSW Department of Industry, Resources and Energy on 18 December 2015, and the Environment Protection Licence granted by the NSW Environment Protection Authority on 14 March 2016.

Although the DZP plant design is still being finalised, the Front End Engineering Design (FEED), released in August 2015, incorporated improvements that will lead to environmental benefits. Primary among these is an advanced water recovery circuit that essentially halves both the projected water consumption (now 2Glpa) and the site footprint (now around 520Ha).

Conservation of the Pink-tailed Worm-lizard

Owing to the presence of a vulnerable species living on the DZP ore body, Alkane is now playing an active role in the conservation of the Pink-tailed Worm-lizard (PTWL). This species is listed as vulnerable under the Threatened Species Conservation Act 1995 and the Environment Protection and Biodiversity Conservation Act 1999 (EPBC).

Alkane has prepared a management plan and budgeted actions to provide increased protection of this species on Company-owned land. The PTWL has been found on five additional outcrops contained within the DZP Biodiversity Offset Areas; these areas will be protected in perpetuity under a covenant and habitat will be enhanced to encourage PTWL colonisation of areas away from proposed operations.

On 24 August 2015, the Company received notification of approval under the EPBC of the proposed mining of the Toongi deposit. The Company was also named winner of the Environment Excellence award at the NSW Mining 2015 Health, Safety, Environment and Community Awards for its efforts to conserve the PTWL.

Establishment of the Toongi Pastoral Company

Of the aggregated 3,441Ha of land associated with the project, the DZP mining and processing footprint will be 520Ha. To oversee management of the remaining freehold and leasehold land and property assets, including 1,021Ha of biodiversity offsets and 1,900Ha of agricultural land, Alkane has established the Toongi Pastoral Company Pty Ltd (TPC) as a wholly owned subsidiary.

The Biodiversity Offset Areas feature grassy white box woodlands, Wiradjuri cultural heritage sites and habitats for the Pink-tailed Worm-lizard. TPC will also operate a stand alone, profitable mixed agricultural enterprise (sheep and cattle) that demonstrates leading practice sustainable farming technologies – including genetics, soil and pasture management and engineering solutions.

PEAK HILL GOLD MINE

Alkane's Peak Hill Gold Mine (PHGM), located 15km south of Tomingley Gold Operations, was in operation from 1996 to 2005. The mining operations at Peak Hill were designed from day one with progressive rehabilitation in mind, and this has continued since closure, during the care and maintenance phase. Today, the rehabilitated final landforms are becoming increasingly species-rich, with several native bird and mammal species (absent prior to mining) established as a result of Alkane's rehabilitation (re-greening) of the mining leases and adjoining land.

During the rehabilitation process, Alkane has continued to use remaining site infrastructure and to maintain the mining leases, an Environment Protection Licence and a 1993 development approval from Parkes Shire Council, along with 22 approvals and licences for the mining and processing operations.

Mine Operations Plan

In July 2014, Alkane submitted a draft Mine Operations Plan (MOP) 2014-2022 to the relevant regulatory body. The purpose of the PHGM MOP is to outline and schedule the remaining actions required to make the site ready for the PHGM leases to be either renewed or relinquished. The PHGM MOP was approved on 30 March 2016 until 17 January 2022.

During the year 4Ha of PHGM land were subdivided and gifted to Parkes Shire Council. This subdivision satisfied a Parkes Shire Council consent condition to provide land for the establishment of a new waste transfer station for the town of Peak Hill. The waste transfer station will deliver an improvement in waste management, compared with the solid waste landfill in use for the past few decades.

Open Cut Experience

The PHGM site hosts a tourist attraction that provides the public with insights into the history and practice of gold mining from 1889-1917 and the period 1996-2005. Known as the Open Cut Experience, the facility encompasses the five mining voids in a pleasant bushland setting, and has been overseen by Parkes Shire Council since 2007. This tourism asset continues to generate economic activity in the local area.

The PHGM is one of only a few modern gold mines with an active mining lease open to the public, making the Open Cut Experience a unique experience where visitors can learn about modern mining and land rehabilitation.

EMPLOYEES AND DIVERSITY

Alkane is committed to employing members of the local community where possible, with the majority of employees living in the local area as the Company does not support a 'fly-in/fly-out' scheme.

The Group is required to report annually to the Workplace Gender Equality Agency on matters relating to gender equality and diversity. The latest report is available in the corporate governance section of the Company's website. At financial year end the Group had 212 personnel on the payroll, with 20% being female. Achieving a good gender balance in such an historically male-dominated industry is a challenge essential to maintaining a culture of equal opportunity.

Two of Alkane's employees received industry recognition during the reporting period: Mike Sutherland, General Manager NSW, received the Environment and Community Leadership award at the NSW Mining 2015 Health, Safety, Environment and Community Awards, for his leadership role across the Company's operations in Central West NSW; and Simone Painter (pictured right), Processing Manager at Tomingley Gold Operations, received the 'Mentor of the Year' award at the 2016 Women in Resources National Awards (WIRNAs), hosted by the Australasian Institute of Mining and Metallurgy (AusIMM).

COMMUNITY ENGAGEMENT AND SUPPORT

Alkane is an active and engaged member of the communities in which it operates. As a company, our goal is to support the development of more resilient regional communities through the establishment of permanent infrastructure, the provision of training and career opportunities to local residents, and the creation of local economic opportunities for service providers. Alkane aims to leave a positive legacy that will long outlive the life of mining operations.

During the year, Alkane actively supported the following communities:

Narromine Shire (TGO). Alkane supported the Narromine Agricultural Show Society and Tomingley and Mungery Picnic Race Clubs again in 2015-2016. The Company also continued to sponsor the Tomingley Gold Project Community Fund, which aims to foster close relations between the TGO team and the local Narromine Shire community by providing support for local infrastructure and events. Two rounds of the fund were awarded during the reporting period, in November 2015 and June 2016. Recipients included the Tomingley Picnic Race Club, the Narromine Agricultural Show Society, the Narromine Ministers Association, Narromine High School, the Tomingley Advancement Association, the Narromine Cancer Support Group, and Narromine Pool. In September 2015, representatives of the Company were delighted to attend the official opening of the new amenities block at Tomingley Racecourse and Recreation Ground, which received $94K in funding from the Tomingley Gold Project Community Fund during 2014.

As part of the Company's commitment to provide development contributions for public infrastructure, the original Planning Agreement with Narromine Shire Council has been amended to allow TGO to explore options for the long-term supply of raw water to the local Tomingley village storage dam.

Parkes Shire (Peak Hill Gold Mine). Alkane supported the PA&H Association (Peak Hill Show), Peak Hill FM (community radio station), Peak Hill Aboriginal Community Working Party (Back to Bulgandramine Weekend) and the Peak Hill Country Crafts & VIC.

Western Plains Regional Council local government area (DZP). Alkane supported the Dubbo College Senior Campus 4X4 Team Zircon to travel to England for the International Engineering Challenge, a Dubbo College student to travel to the National University of Singapore Science Summer Camp, Dubbo Community Men's Shed, and had a presence at several employment/career forums with Clontarf Academy and Dubbo College Senior Campus.

Alkane also sponsored the Central West Championship Yard Dog trials at the Wellington Show and Yeoval Central School for a school excursion to Sydney.

In addition to various sponsorships and donations, Alkane sometimes hosts groups wishing to tour its operations. Several community and educational groups visited one or both of the TGO and the DZP sites during the reporting period, including representatives of the Clontarf Foundation, the recently established DZP Community Consultative Committee, scholarship students from AusIMM, and students from both Wollongong and Newcastle Universities.

In order to ensure strong relationships are maintained with local communities, Alkane is also committed to clear and regular communications about its operations and development activities. The Company ensures community members can easily engage with Alkane representatives from the inception of projects through to completion. Activities in 2015-2016 include:

- Establishment of the DZP Community Consultative Committee (CCC) and participation in the TGO CCC. Both have independent chairpersons and include representatives from a cross-section of the community, including at least one Aboriginal member and a local council member.
- Up-to-date detailed community-relevant project information on our website including FAQs, along with the distribution of regular community newsletters.
- Regular participation and presentations at regional events to discuss the Group's projects.

Alkane personnel are engaged with the Industry Based Agreement for Aboriginal Employment and Enterprise Development Steering Committee, the Central West Mining & Extractive Environment Team (secretariat) and the Western NSW Mining and Resource Development Taskforce.

OCCUPATIONAL HEALTH AND SAFETY REVIEW

Alkane is committed to compliance with all laws and regulations in relation to the environment and occupational health and safety (OHS). The Company strives for continuous improvement of its standards in parallel with industry-leading practice for Tomingley Gold Operations, the Peak Hill Gold Mine decommissioning and closure, and for ongoing exploration and mine development.

The Company's reputation for integrity and responsible behaviour motivates Alkane's employees and builds trust within the communities in which it operates.

RISK MANAGEMENT

Alkane is committed to the active management of risks to its operations and has a Risk Management Committee comprised of directors and management to assist the Managing Director to identify, assess, monitor and manage the Company's risks. The Company's Risk Management Co-ordinator is tasked with the responsibility of keeping the risk management policy, framework and registers updated, subject to formal approval of policy amendments by the Board. A professionally facilitated Enterprise Risk Review Workshop was held in Perth in March 2016.

In the 2016 financial year, TGO completed a key phase of its risk management process, which includes the identification of key threats and the critical controls to manage those threats. The target closeout of actions associated with critical controls was achieved. TGO continues to validate and subsequently monitor and audit these critical controls. A specialised software package assists with the management of the complexities for the high level risks.

The Company also conducted numerous DZP construction risk assessments during the Front End Engineering Design (FEED) process.

AUSIMM SCHOLARSHIP STUDENTS VISIT THE DZP

OCCUPATIONAL HEALTH AND SAFETY

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

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

As for Alkane's other sites, a full-time site supervisor maintains the Peak Hill Gold Mine leases and infrastructure during decommissioning. The facilities at the mine site also provide support for exploration activities at the nearby Tomingley Gold Project, which encompasses TGO. Alkane also maintains exploration offices in Dubbo and Orange to service the Group's other tenements in Central West New South Wales.

During the reporting period, three injuries resulting in minor work restrictions occurred at TGO, as well as one injury requiring minor medical treatment. TGO has a total recordable injury frequency rate (TRIFR) of 2.20 per million hours worked, which is well below industry average.

TGO reported four incidents to the NSW Environment Protection Authority (EPA) during the period of this report, including:

- Two dust exceedances – TGO has continued to develop onsite procedures to further mitigate dust generating activities, including stabilisation of topsoil dumps and further monitoring of dig faces and tip heads, with fleet changes being made where necessary.
- Two overpressure exceedances – following consultation with an independent expert, operational changes during presplitting were implemented, greatly reducing overpressure results.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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 2016. 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 46 years surface and underground mining experience both in Australia and overseas. He is a former Director of the Australasian Institute of Mining and Metallurgy (2001 - 2006) and is a Board member and past Chairman of MICA (Mineral Industry Consultants Association).

Mr Dunlop was Non-Executive Chairman of Alliance Resources Limited (30 November 1994 - 31 May 2016). 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 45 years, during which time he has had experience in all facets of exploration and mining through feasibility and development to the production phase.

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

Mr Chalmers is a member of the Nomination Committee.

Ian Jeffrey Gandel - Non-Executive Director

LLB, BEc, FCPA, FAICD

Appointed Director 24 July 2006

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

Through his private investment vehicles, Mr Gandel has been an investor in the mining industry since 1994. Mr Gandel is currently a substantial holder in a number of publicly listed Australian companies and, through 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) and in June 2016 was appointed Non-Executive Chairman of that company. He is also Non-Executive chairman of Octagonal Resources Limited (appointed 10 November 2010) and has been a Director and Non-Executive Chairman of Gippsland Limited (24 June 2009 - 14 April 2015).

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

INFORMATION ON DIRECTORS (continued)

Anthony Dean Lethlean - Non-Executive Director

BAppSc (Geology)

Appointed Director 30 May 2002

Mr Lethlean is a geologist with over 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers including formerly as a principal of Helmsec Global Capital Limited. Mr Lethlean is a Non-Executive Director of Alliance Resources Limited (appointed 15 October 2003).

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

COMPANY SECRETARY

Karen E V Brown

BEc (hons)

Ms Brown is a Director and Company Secretary of Mineral Administration Services Pty Ltd which provides company secretarial, corporate administration and accounting services to the Group. She has considerable experience in corporate administration of listed companies over a period of some 28 years, primarily in the mineral exploration industry. She is currently also Company Secretary of publicly listed General Mining Corporation Limited.

DIVIDENDS - ALKANE RESOURCES LTD

No dividends have been paid by the Company during the financial year ended 30 June 2016 nor have the Directors recommended that any dividends be paid (2015: nil).

REVIEW OF OPERATIONS

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

RESULT FOR THE YEAR

The Group's net profit for the period after tax was $4,695,000 (30 June 2015: net loss $4,086,000). The result includes a profit before tax of $14,304,000 in relation to the Tomingley Gold Operations (30 June 2015: $589,000)

TOMINGLEY GOLD OPERATIONS

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

Mining occurred in three pits during the year, Wyoming Three, Caloma One and Wyoming One. Mining in the Wyoming Three pit concluded in October 2015 with the pit producing over 40% more ounces than the modelled resource. Caloma One provided the main ore source for the year with slightly negative reconciliations against the resource model influenced predominantly by the presence and interpretation of the boundaries of some dolerite dykes in the resource model. As a result the resource model was revised in the June 2016 quarter with reconciliation to date in line with the updated model. Waste removal commenced in a starter pit in Wyoming One in late July 2015 with first ore extracted in the March quarter. Initial reconciliations in Wyoming One have met expectations. The Caloma Two resource has been incorporated into the open pit development schedule and regulatory approval for its development was confirmed in July 2016.

Total material movements for the period of 6,706,960 bcm comprised 6,199,820 bcm of waste and 507,140 bcm of ore at an average stripping ratio of 12.2. The increase in the stripping ratio from the corresponding period reflects the waste removal in the Wyoming One pit.

Milling for the period was in line with design capacity at 1,096,105 tonnes. The reduction in milled tonnes from the prior comparative period reflects the transition to predominately fresh ore feed. Gold recovery reduced from 93.9% to 90.9% in line with expectations, also a reflection of the transition to fresh ore feed.

Production for the year was within market guidance at 67,812 ounces at an all in sustaining cost (AISC) of $1,256 per ounce also within guidance. The average sales price achieved for the period of $1,605 per ounce resulted in a strong average margin of $349 per ounce.

REVIEW OF OPERATIONS (continued)

TOMINGLEY GOLD OPERATIONS (continued)

The table below summarises the key operational information.

		QUARTER ENDED				FINANCIAL YEAR ENDED	
TGO	UNIT	30 SEP 2015	31 DEC 2015	31 MAR 2016	30 JUN 2016	30 JUN 2016	30 JUN 2015
Production							
Ore mined	BCM	157,755	100,229	77,978	171,178	507,140	619,753
Waste mined	BCM	1,676,850	1,447,753	1,839,737	1,235,480	6,199,820	5,730,662
Stripping ratio	Ratio	10.6	14.4	23.6	7.2	12.2	9.2
Ore mined	Tonnes	433,744	277,061	198,877	375,772	1,285,454	1,386,291
Grade mined(2)	g/t	1.87	1.84	1.93	1.75	1.84	1.66
Ore milled	Tonnes	271,980	257,998	270,155	295,972	1,096,105	1,140,704
Head grade	g/t	2.44	1.93	2.02	1.94	2.08	2.01
Gold recovery	%	92.6	91.4	89.5	90.5	90.9	93.9
Gold production(3)	Ounces	19,789	15,347	14,612	18,064	67,812	69,612
Revenue Summary							
Gold sales	Ounces	21,000	14,250	15,000	17,733	67,983	70,734
Average price realised	A$/oz	1,565	1,583	1,621	1,658	1,605	1,441
Sales revenue	A$M's	32.9	22.6	24.3	29.4	109.1	101.9
Cost Summary							
Mining	A$/oz	784	731	774	659	736	707
Processing	A$/oz	242	322	361	266	292	321
Site support	A$/oz	78	113	114	84	96	95
C1 Cash Cost	A$/oz	**1,104**	**1,166**	**1,249**	**1,009**	**1,124**	**1,123**
Royalties	A$/oz	46	43	45	51	46	40
Sustaining capital	A$/oz	36	44	1	39	31	25
Rehabilitation	A$/oz	16	20	22	15	18	21
Corporate	A$/oz	32	43	41	35	37	40
AISC(1)	A$/oz	**1,234**	**1,316**	**1,358**	**1,149**	**1,256**	**1,249**
Stockpiles							
Ore stockpiles	Tonnes	678,681	698,744	618,218	701,047	701,047	468,032
Stockpile grade(2)	g/t	0.95	0.94	0.80	0.82	0.82	0.84
Bullion on hand	Ounces	1,951	3,040	2,645	2,971	2,971	3,169

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

(2) Based on the resource models.

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

Development of the underground mine continues with completion of a pre-feasibility study during the period and generation of an initial underground reserve. Underground operations below Wyoming One and Caloma One and Two are incorporated into the life of mine schedule.

REVIEW OF OPERATIONS (continued)

DUBBO ZIRCONIA PROJECT

Alkane Resources Ltd's subsidiary, Australian Zirconia Limited (AZL), is proceeding towards development of 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.

The Project is fully permitted with all necessary approvals in place to allow commencement of construction activities. Following on from receipt of State Government Planning Approval, the Project received Federal Environmental Approval in August 2015. The mining lease was granted by the NSW Department of Industry, Division of Resources and Energy on 18 December 2015 and the NSW Environment Protection Authority granted an Environment Protection Licence (EPL) covering the construction for the DZP on 14 March 2016.

The final land acquisitions covering the project area were completed during the year with AZL owning circa 3,500 hectares around the site. Of this land, 500 hectares is required for mining and processing operations, around 1,000 hectares is allocated to biodiversity offset (a federal environmental requirement) and the remaining 2,000 hectares will be retained for farming. To manage the farming activities and biodiversity offsets, Toongi Pastoral Company Pty Ltd (TPC) has been formed and a professional manager engaged to oversee these operations. A comprehensive plan is being developed for TPC to be a self-sustaining and profitable agricultural business.

The project remains ready for detailed design and construction to commence, contingent on financing. The front end engineering and 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 key technology and a 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.

Demonstration pilot plant trials are planned in the September 2016 quarter to produce additional product to assist with process refinement and confirmation of test results obtained at the laboratory scale. This will also involve the production of hafnium concentrate and zirconium products for customer evaluations, a critical pre-curser to securing committed offtake agreements, as well as rare earth concentrate.

In April 2016 AZL executed a letter of intent with Vietnam Rare Earth JSC (VTRE) to toll process the rare earth concentrate to be produced by the DZP into individual rare earth products. VTRE is a specialist Vietnamese chemical and advanced materials company which operates a processing plant to produce separated rare earth oxides from rare earth concentrates. Further toll processing of DZP feed to produce rare earth metal alloys is also intended along with the establishment of a joint marketing company as the vehicle to market VTRE's currently produced rare earths and associated downstream products. The agreement provides AZL with an exclusive right for twelve months to complete due diligence and for the parties to finalise the terms of the agreements envisaged.

Marketing activities continued throughout the year with dispatch of further samples, plus meetings with major companies from Europe, Japan, Korea, USA and China for DZP products. Significant focus continues to be applied to securing offtake partners. Subsequent to year end, AZL entered into an exclusive marketing and sales agreement with Minchem Ltd for all zirconium products produced by the company for five years from commencement of DZP production.

AZL continues to work with its advisors, Sumitomo Mitsui Banking Corporation to progress funding of the project. The broad strategy remains with the intention that strategic investment in the project, Export Credit Agency finance and commercial debt will be maximised. The next key step in the financing program is customer confirmation of products certification and securing committed long term offtake agreements that will underpin the financial modelling.

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 Kaiser porphyry gold-copper prospect (part of 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.

Encouraging intercepts were recorded from drilling of targets within the Bodangora-Kaiser Project and at the Elsienora Project, and further exploration is planned to advance these projects during 2017.

REVIEW OF OPERATIONS (continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The financial position and performance of the Group has been impacted by the following specific events or transactions during the year ended 30 June 2016 when compared to the year ended 30 June 2015:

- During May 2016, a one for five share entitlement issue was undertaken raising $12,388,000 (before costs) to provide funding support for the ongoing development of the DZP. The shortfall of the entitlements issue was placed to institutional and professional investors in July 2016 raising $4,141,000 (before costs).

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

Since 30 June 2016, the Group finalised the shortfall placement of the one for five share entitlement issue. Please refer to the significant changes in the state of affairs above for more details.

The Group entered into a $14,000,000 working capital facility with Macquarie Bank Limited comprising a project loan facility, performance bond facility and hedging facility. Facility documentation was completed in early July allowing for draw down on the loan and bond facilities.

The Group entered into an exclusive marketing and sales agreement with Minchem Ltd in August. Refer to the Review of Operations report for more details.

No other matter or circumstance has arisen since 30 June 2016 that has significantly affected the Group's operations, results or state of affairs, or significantly affect;

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group intends to continue evaluation and development activities in relation to the Dubbo Zirconia Project in line with details provided in the review of operations. Efforts at the Tomingley Gold Operation continue to be focussed on optimising performance and extending the mine life for both open pit and underground operations. Exploration and evaluation activities will continue on existing tenements and opportunities to expand the Group's tenement portfolio will be pursued with a view to ensuring there is a pipeline of development opportunities to be considered.

Refer to the Review of Operations for further detail on planned developments.

ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in respect of its exploration, development, construction and mining activities.

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

FINES AND PROSECUTION

Tomingley Gold Operations Pty Ltd received a fine during the current year of $95,000 in relation to the two incidents disclosed in the financial statements for the year ended 30 June 2015 (2015:nil)

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 2016, 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	17	20	2	3	-	1	1	2
D I Chalmers	20	20	*	*	-	1	*	*
I J Gandel	20	20	3	3	1	1	2	2
A D Lethlean	19	20	2	3	1	1	2	2

* Not a member of the relevant committee

REMUNERATION REPORT

The Directors' are pleased to present Alkane Resources Ltd's remuneration report which sets out remuneration information for the Company's Non-Executive Directors, Executive Director and other Key Management Personnel.

The report contains the following sections:

(a) Key Management Personnel disclosed in this report
(b) Remuneration governance
(c) Use of remuneration consultants
(d) Executive remuneration policy and framework
(e) Statutory performance indicators
(f) Non-Executive Director remuneration policy
(g) Voting and comments made at the Company's 2015 Annual General Meeting
(h) Details of remuneration
(i) Service agreements
(j) Details of share-based payments and performance against key metrics
(k) Shareholdings and share rights held by Key Management Personnel

(a) KEY MANAGEMENT PERSONNEL DISCLOSED IN THIS REPORT

Non-Executive and Executive Directors

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

Other Key Management Personnel

NAME	POSITION
N Earner	Chief Operations Officer
M Ball	Chief Financial Officer
K E Brown	Company Secretary

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 assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations to the Board on:

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

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

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

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

REMUNERATION REPORT (continued)

(c) USE OF REMUNERATION CONSULTANTS

No remuneration consultants were engaged in the financial year ended 30 June 2016 to provide remuneration advice.

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

In determining Executive remuneration, the Board (or the Remuneration Committee as its delegate) aims to ensure that remuneration practices:

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

The Executive remuneration framework has three components:

- Total Fixed Remuneration (TFR),
- Short-Term Incentives (STI), and
- Long-Term Incentives (LTI).

(i) Executive remuneration mix

The Company has in place Executive incentive programs which place a material portion of Executive pay "at risk".

The table below reflects the target remuneration mix for the year to 30 June 2016 for the Key Management Personnel eligible to receive incentives. It reflects the STI opportunity for the current year that will be available if the performance conditions are satisfied and the value of the LTI rights granted during the year, as determined at grant date.

			AT RISK REMUNERATION	
EXECUTIVE	POSITION	FIXED REMUNERATION	STI(1)	LTI(2)
D I Chalmers(3)	Managing Director	44%	12%	44%
N Earner	Chief Operations Officer	44%	12%	44%
M Ball	Chief Financial Officer	44%	12%	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 2018.

(3) Incentives relating to the Managing Director are subject to shareholder approval which was received at the 2015 Annual General Meeting.

(ii) Total fixed remuneration

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

A review is conducted of remuneration for all employees and Executives on an annual basis, or as required. The Remuneration Committee is responsible for determining Executive TFR.

(iii) Incentive arrangements

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

Short-term incentives

All employees including Executives have the opportunity to earn an annual Short-Term Incentive (STI) if predefined targets are achieved. The maximum STI opportunity for the Managing Director and invited Executives is 25% of total fixed remuneration (calculated at the time of approval by the Remuneration Committee).

REMUNERATION REPORT (continued)

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK (continued)

(iii) Incentive arrangements (continued)

Short-term incentives (continued)

The Executive STI are provided in the form of rights to ordinary shares in the Company that will vest at the end of the performance period (generally 12 months) 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 prior to vesting. 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. The STI rights are governed by the performance rights plan approved by shareholders at the 2013 annual general meeting.

STI awards for the Executive team in the 2016 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	44%
Sustainability	Specific targets relating to the development of and compliance with safety and environmental management systems, and engagement with the local community	16%

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.

Long-term incentives

Long-term incentives are 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 was approved by shareholders at the 2014 annual general meeting. Together they are referred to as the Long Term Incentive Plan (LTIP).

The LTIP is designed to focus Executives on delivering long term shareholder returns. Eligibility for the plan is restricted to Executives and nominated Senior Managers, being the employees who are most able to influence shareholder value. Under the plan, participants have an opportunity to earn up to 100% of their total fixed remuneration (calculated at the time of approval by the Remuneration Committee) comprised of part performance rights and part share appreciation rights, provided that predefined targets are met over a three year performance period. Performance rights are the reward vehicle for targets that are milestone based whereas share appreciation rights are the reward vehicle for shareholder return targets as the number of shares to be issued upon vesting is impacted by the quantum of shareholder value created. The table below provides details on the LTIP targets set at the beginning of the 30 June 2016 financial year, their relative weighting and the reward vehicle used for each target. The LTIP vesting period is three years (i.e. 30 June 2018).

LTI REWARD VEHICLE	PERFORMANCE METRICS	WEIGHTING
Performance rights	Progress of evaluation and development of Dubbo Zirconia Project towards production	40%
	Increase Tomingley Gold Operation value through productivity improvements and mine life extension	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 prior to the vesting period. If a participant ceases to be employed by the Group within this period, the rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

REMUNERATION REPORT (continued)

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK (continued)

(iii) Incentive arrangements (continued)

Long-term incentives (continued)

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

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

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

- the developmental stage of the 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.

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 LTI's 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 Board (or the Remuneration Committee as its delegate) has discretion to determine forfeiture of unvested equity awards in certain circumstances (e.g. unlawful, fraudulent or dishonest behaviour or serious breach of obligations to the Company). All incentive offers and final outcomes are subject to the full discretion of the Board (or the Remuneration Committee as its delegate).

(v) Share trading policy

The trading of shares issued to participants under any of the Company's employee 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) STATUTORY PERFORMANCE INDICATORS

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

REMUNERATION REPORT (continued)

(e) STATUTORY PERFORMANCE INDICATORS (continued)

	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014	30 JUNE 2013(1)	31 DEC 2012
Revenue ($'000)	**109,624**	102,467	25,264	1,370	96,716
Profit/(loss) for the year attributable to owners ($'000)	**4,695**	(4,086)	(6,170)	(66,418)	66,535
Basic earnings/(loss) per share (cents)	**1.1**	(1.0)	(1.7)	(17.8)	0.20
Dividends payments ($'000)	**-**	-	-	-	-
Share price at period end (cents)	**0.20**	0.28	0.27	0.31	0.68
Total KMP incentives vested as a percentage of profit/(loss) for the year %	**3.0%**	0.0%	0.0%	0.1%	0.1%

(1) Six month period

(f) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

On appointment to the Board, all Non-Executive Directors enter into a Service Agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of Director.

Non-Executive Directors receive a Board fee and fees for chairing or participating on Board Committees. Non-Executive Directors appointed do not receive retirement allowances. Fees provided are inclusive of superannuation and the Non-Executive Directors do not receive performance-based pay.

Fees are reviewed annually by the Remuneration Committee taking into account comparable roles and market data obtained from independent data providers. The current base fees for Non-Executive Directors have not changed since 1 January 2013.

The maximum annual aggregate Directors' fee pool limit (inclusive of applicable superannuation) is $700,000 and was approved by shareholders at the Annual General Meeting on 16 May 2013.

Details of Non-Executive Director fees in the year ended 30 June 2016 are as follows:

	$ PER ANNUM
Base fees	
Chair	125,000
Other Non-Executive Directors	75,000
Additional fees	
Audit Committee - chair	7,500
Audit Committee - member	5,000
Remuneration Committee - chair	7,500
Remuneration Committee - member	5,000

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

(g) VOTING AND COMMENTS MADE AT THE COMPANY'S 2015 ANNUAL GENERAL MEETING

The Company received more than 89% of "yes" votes on its remuneration report for the last financial period ended 30 June 2015. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

REMUNERATION REPORT (continued)

(h) DETAILS OF REMUNERATION

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

		FIXED REMUNERATION				VARIABLE REMUNERATION	TOTAL
NAME	YEAR	CASH SALARY[1] $	NON MONETARY BENEFITS[1] $	ANNUAL AND LONG SERVICE LEAVE[2] $	POST-EMPLOYMENT BENEFITS[3] $	RIGHTS TO DEFERRED SHARES[4] $	$
Executive Director							
D I Chalmers	**2016**	**360,000**	**25,643**	**7,939**	**34,200**	**153,381**	**581,163**
	2015	360,000	-	5,895	34,200	65,333	465,428
Other Key Management Personnel							
N Earner	**2016**	**396,000**	**-**	**2,321**	**37,620**	**168,719**	**604,660**
	2015	396,000	-	773	37,620	71,867	506,260
M Ball	**2016**	**337,177**	**-**	**2,438**	**29,640**	**132,930**	**502,185**
	2015	337,177	-	1,463	29,640	56,622	424,902
K E Brown[5]	**2016**	**302,229**	**-**	**-**	**-**	**-**	**302,229**
K E Brown & L A Colless[5]	2015	316,925	-	-	-	-	316,925
Total Executive Director and other KMP	**2016**	**1,395,406**	**25,643**	**12,698**	**101,460**	**455,030**	**1,990,237**
	2015	1,410,102		8,131	101,460	193,822	1,713,515
Total NED remuneration[6]	**2016**	**283,106**	**-**	**-**	**26,894**	**-**	**310,000**
	2015	283,106	-		26,894	-	310,000
Total KMP remuneration expense	**2016**	**1,678,511**	**25,643**	**12,698**	**128,355**	**455,030**	**2,300,237**
	2015	1,693,208	-	8,131	128,354	193,822	2,023,515

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

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

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

(4) Rights to deferred shares granted under the executive STI and LTI schemes are expensed over the performance period, which includes the year to which the incentive relates and the subsequent vesting period of the rights. Rights to deferred shares are equity-settled share based-payments as per the *Corporations Regulation 2M.3.03(1) Item11*. These include negative amounts for rights forfeited during the year. In the prior year the table did not include the notional accounting expenses relating to share based payments and long service leave for certain Key Management Personnel. The comparatives have been updated to include this information. The expenses were correctly recorded in the financial statements. Details of each grant of share right was provided in the table in section (j). Shareholder approval was received in advance to the grant of share rights where required.

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

(6) Refer below for details of NED remuneration.

REMUNERATION REPORT (continued)

(h) DETAILS OF REMUNERATION (continued)

	CASH SALARY AND FEES $	SUPERANNUATION $	TOTAL $
30 JUNE 2016			
Non-Executive Directors			
J S F Dunlop	**125,571**	**11,929**	**137,500**
I J Gandel	**77,626**	**7,374**	**85,000**
A D Lethlean	**79,909**	**7,591**	**87,500**
Total Non-Executive Directors	**283,106**	**26,894**	**310,000**
30 JUNE 2015			
Non-Executive Directors			
J S F Dunlop	125,571	11,929	137,500
I J Gandel	77,626	7,374	85,000
A D Lethlean	79,909	7,591	87,500
Total Non-Executive Directors	283,106	26,894	310,000

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

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	2016 %	2015 %	2016 %	2015 %	2016 %	2015 %
Executive Director of Alkane Resources Ltd						
I Chalmers	**74**	86	**8**	-	**18**	14
Other Key Management Personnel						
N Earner	**72**	86	**9**	-	**19**	14
M Ball	**74**	87	**8**	-	**18**	13

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

(i) SERVICE AGREEMENTS

Remuneration and other terms of employment for the Managing Director and Key Management Personnel are formalised in Service Agreements. The Service Agreements specify the components of remuneration, benefits and notice periods. Participation in the STI and LTI plans is subject to the Board's discretion. Other major provisions of the Agreements relating to remuneration are set out below.

NAME AND POSITION	TERM OF AGREEMENT	TTFR[(1)]	TERMINATION PAYMENT[(2)]
D I Chalmers - Managing Director	Commencing 1 July 2015 - renewable annually	$394,200	By mutual agreement
N Earner - Chief Operations Officer	On-going commencing 2 September 2013	$433,620	2 months
M Ball - Chief Financial Officer	On-going commencing 29 October 2012	$366,817	2 months
K E Brown - Company Secretary	Commencing 1 July 2015 - renewable annually	$302,229	12 months maximum[(3)]

(1) With the exception of K E Brown who is not an employee of the company Total Fixed Remuneration (TFR) is inclusive of superannuation and is for the year ended 30 June 2016. TFR is reviewed annually by the Remuneration Committee. D I Chalmers contract includes motor vehicle expenses up to value of $36,000 plus applicable taxes in addition to the figure in the table above.

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

(3) Termination by mutual agreement.

REMUNERATION REPORT (continued)

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

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

NAME	DATE OF GRANT	NUMBER OF RIGHTS GRANTED	FAIR VALUE OF SHARE RIGHTS AT DATE OF GRANT $	NUMBER OF SHARE RIGHTS AT FAIR VALUE $	PERFORMANCE PERIOD END	SHARE BASED PAYMENT EXPENSE CURRENT YEAR $
Executive Director						
I Chalmers						
FY2015 LTI - Performance Rights	5/12/2014	666,667	0.21	140,000	30/06/2017	(14,000)
FY2015 LTI - Share Appreciation Rights	5/12/2014	1,800,000	0.07	126,000	30/06/2017	42,000
FY2016 STI - Performance Rights	18/11/2015	281,249	0.25	70,312	30/06/2016	46,856
FY2016 LTI - Performance Rights	18/11/2015	562,500	0.25	140,625	30/06/2018	11,025
FY2016 LTI - Share Appreciation Rights	18/11/2015	2,250,000	0.09	202,500	30/06/2018	67,500
Other Key Management Personnel						
N Earner						
FY2015 LTI - Performance Rights	5/12/2014	733,333	0.21	154,000	30/06/2017	(15,400)
FY2015 LTI - Share Appreciation Rights	5/12/2014	1,980,000	0.07	138,600	30/06/2017	46,200
FY2016 STI - Performance Rights	18/11/2015	309,375	0.25	77,344	30/06/2016	51,542
FY2016 LTI - Performance Rights	18/11/2015	618,750	0.25	154,688	30/06/2018	12,127
FY2016 LTI - Share Appreciation Rights	18/11/2015	2,475,000	0.09	222,750	30/06/2018	74,250
M Ball						
FY2015 LTI - Performance Rights	5/12/2014	577,777	0.21	121,333	30/06/2017	(12,133)
FY2015 LTI - Share Appreciation Rights	5/12/2014	1,560,000	0.07	109,200	30/06/2017	36,400
FY2016 STI - Performance Rights	18/11/2015	243,750	0.25	60,938	30/06/2016	40,609
FY2016 LTI - Performance Rights	18/11/2015	487,500	0.25	121,875	30/06/2018	9,554
FY2016 LTI - Share Appreciation Rights	18/11/2015	1,950,000	0.09	175,500	30/06/2018	58,500

(1) The value at grant date for share rights granted during the year as part of remuneration is calculated in accordance with AASB 2 Share Based Payments. Differences will arise between the number of share rights at fair value in the table above and the STI and LTI percentages mentioned in section (d) due to different timing of valuation of rights as approved by the Remuneration Committee and at grant. Refer to note 18 for details of the valuation techniques used for the rights plan.

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

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

NAME	VESTING DATE	NUMBER OF RIGHTS GRANTED	% OF SHARE RIGHTS VESTED	NUMBER OF SHARE RIGHTS VESTED	% OF SHARE RIGHTS FORFEITED	NUMBER OF SHARE RIGHTS FORFEITED
Executive Director						
I Chalmers						
FY2016 STI - Performance rights	18/08/2016	281,249	68	191,249	32	90,000
Other Key Management Personnel						
N Earner						
FY2016 STI - Performance rights	18/08/2016	309,375	68	210,375	32	99,000
M Ball						
FY2016 STI - Performance rights	18/08/2016	243,750	68	165,750	32	78,000

REMUNERATION REPORT (continued)

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

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

Performance against key metrics

The STI performance metrics for the year are detailed in section (d)(iii) of the Remuneration Report. The Remuneration Committee had determined that the STI for the Key Management Personnel for the financial year ended 30 June 2016 be awarded as set out in the table below:

PERFORMANCE CATEGORY	PERFORMANCE METRICS AND ASSESSED OUTCOME	WEIGHTING	VESTED
Financial & operational	Production and operating cost performance targets for the Tomingley Gold Operations met	40%	40%
Growth	Milestones relating to advancing the development of the Dubbo Zirconia Project, with one exception, not met in the required timeframe, with satisfactory execution of the Board approved exploration plan to develop existing resources	44%	12%
Sustainability	Specific targets relating to the development of and compliance with safety and environmental management systems, and engagement with the local community were met	16%	16%

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

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

Share holdings

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

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

REMUNERATION REPORT (continued)

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

Share holdings (continued)

	NUMBER OF ORDINARY SHARES			
	BALANCE AT 1 JULY 2014	PURCHASED / (SOLD)	RECEIVED ON VESTING OF SHARE RIGHTS	BALANCE AT 30 JUNE 2015
30 JUNE 2015				
Directors of Alkane Resources Ltd				
Ordinary shares				
J S F Dunlop	936,000	-	-	936,000
A D Lethlean	433,396	-	-	433,396
D I Chalmers	2,418,854	(62,570)	-	2,356,284
I J Gandel	91,557,875	-	-	91,557,875
Other Key Management Personnel				
Ordinary shares				
K E Brown	339,157	373,335	-	712,492
L A Colless	326,846	(326,846)	-	-
L A Colless & K E Brown joint interest	373,335	(373,335)	-	-

The shares previously held by L A Colless and K E Brown in joint interests are now 100% owned by K E Brown as a result of the passing of L A Colless in the prior reporting period.

Share rights

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

REMUNERATION REPORT (continued)

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

Share rights (continued)

	BALANCE AT 1 JULY 2014 UNVESTED	RIGHTS GRANTED	RIGHTS VESTED	RIGHTS LAPSED	BALANCE AT 30 JUNE 2015 UNVESTED
Executive Directors					
D I Chalmers					
Performance Rights	-	1,000,000	-	(333,333)	666,667
Share Appreciation Rights	-	1,800,000	-	-	1,800,000
Other Key Management Personnel					
N Earner					
Performance Rights	-	1,099,999	-	(366,666)	733,333
Share Appreciation Rights	-	1,980,000	-	-	1,980,000
M Ball					
Performance Rights	-	866,665	-	(288,888)	577,777
Share Appreciation Rights	-	1,560,000	-	-	1,560,000
Total Performance Rights	-	2,966,664	-	(988,887)	1,977,777
Total Share Appreciation Rights	-	5,340,000	-	-	5,340,000

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

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

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

The liability insured is the indemnification of the Group against any legal liability to third parties arising out of any Directors or officers duties in their capacity as a Director or Officer other than indemnification not permitted by law.

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

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

During the year the Company has paid premiums in respect of Directors' and Executive Officers' Insurance. The contracts contain prohibitions on disclosure of the amount of the premiums and the nature of the liabilities under the policies.

NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 19.

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 50.

ROUNDING OF AMOUNTS

The company has relied on the relief provided by the '*ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191*', issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

D I Chalmers

Director

Perth

26 August 2016

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Alkane Resources Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

2. 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
26 August 2016

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
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FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	YEAR ENDED 30 JUNE 2016 $'000	30 JUNE 2015 $'000
Continuing operations			
Revenue	2	**109,624**	102,467
Cost of sales	3	**(95,351)**	(101,366)
Gross profit		**14,273**	1,101
Other net income/(expense)	4	**975**	(654)
Expenses			
Other expenses	3	**(8,149)**	(8,211)
Finance charges		**(436)**	(373)
Total expenses		**(8,585)**	(8,584)
Profit/(Loss) before income tax		**6,663**	(8,137)
Income tax (expense)/benefit	5	**(1,968)**	4,051
Profit/(Loss) for the period after income tax		**4,695**	(4,086)
Total comprehensive profit/(loss) for the period		**4,695**	(4,086)
Total comprehensive profit/(loss) for the period is attributable to:			
Owners of Alkane Resources Ltd		**4,695**	(4,086)
		4,695	(4,086)
Profit/(Loss) is attributable to:			
Owners of Alkane Resources Ltd		**4,695**	(4,086)
		4,695	(4,086)

		CENTS	CENTS
Profit/(Loss) per share attributable to the ordinary equity holders of the Company:			
Basic profit/(loss) per share	20	**1.1**	(1.0)
Diluted profit/(loss) per share	20	**1.1**	(1.0)

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

AS AT 30 JUNE 2016

	NOTES	30 JUNE 2016 $'000	30 JUNE 2015 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	**24,455**	14,849
Receivables	6(b)	**1,720**	1,988
Inventories	7(a)	**12,394**	11,505
Total current assets		**38,569**	28,342
Non-current assets			
Exploration and evaluation	7(b)	**72,553**	65,251
Property, plant and equipment	7(c)	**102,941**	89,787
Other financial assets	6(d)	**7,197**	7,586
Total non-current assets		**182,691**	162,624
Total assets		**221,260**	190,966
LIABILITIES			
Current liabilities			
Trade and other payables	6(e)	**8,745**	9,726
Provisions	7(d)	**1,703**	1,525
Total current liabilities		**10,448**	11,251
Non-current liabilities			
Deferred tax liabilities	5(d)	**4,747**	2,484
Provisions	7(d)	**15,755**	6,781
Total non-current liabilities		**20,502**	9,265
Total liabilities		**30,950**	20,516
Net assets		**190,310**	170,450
EQUITY			
Contributed equity	8(a)	**213,791**	201,845
Reserves	8(b)	**3,933**	714
Accumulated losses	8(c)	**(27,414)**	(32,109)
Total equity		**190,310**	170,450

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

FOR THE YEAR ENDED 30 JUNE 2016

	ATTRIBUTABLE TO OWNERS OF ALKANE RESOURCES LTD			
	SHARE CAPITAL $'000	SHARE-BASED PAYMENTS $'000	ACCUMULATED LOSSES $'000	TOTAL EQUITY $'000
Balance at 1 July 2014	202,243	-	(28,023)	174,220
Loss for the year	-	-	(4,086)	(4,086)
Total comprehensive loss for the period	-	-	(4,086)	(4,086)
Transactions with owners in their capacity as owners:				
Share issue transaction costs	(3)	-	-	(3)
Deferred tax credit recognised in equity	(395)	-	-	(395)
Share based payments	-	714	-	714
	(398)	714	-	316
Balance at 30 June 2015	201,845	714	(32,109)	170,450
Balance at 1 July 2015	**201,845**	**714**	**(32,109)**	**170,450**
Profit for the year	**-**	**-**	**4,695**	**4,695**
Total comprehensive profit for the period	**-**	**-**	**4,695**	**4,695**
Transactions with owners in their capacity as owners:				
Entitlement share issue	**12,388**	**-**	**-**	**12,388**
Share issue transaction costs	**(147)**	**-**	**-**	**(147)**
Deferred tax credit recognised in equity	**(295)**	**-**	**-**	**(295)**
Share based payments	**-**	**3,219**	**-**	**3,219**
Balance at 30 June 2016	**213,791**	**3,933**	**(27,414)**	**190,310**

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

FOR THE YEAR ENDED 30 JUNE 2016

	NOTES	YEAR ENDED 30 JUNE 2016 $'000	30 JUNE 2015 $'000
Cash flows from operating activities			
Receipts from customers		**109,134**	101,941
Payments to suppliers and employees (inclusive of GST)		**(70,051)**	(71,222)
Interest received		**490**	526
Finance costs paid		**(248)**	(145)
Royalties and selling costs		**(2,819)**	(2,825)
Other receipts		**980**	332
Net cash inflow from operating activities	9(a)	**37,486**	28,607
Cash flows from investing activities			
Payments for property, plant and equipment		**(33,634)**	(18,103)
Proceeds from sale of property, plant and equipment		**26**	-
Proceeds from sale of available-for-sale financial assets		**-**	4,001
Payments for exploration expenditure		**(6,789)**	(14,485)
Payments for security deposits		**(2,151)**	(4,010)
Refund of security deposits		**2,541**	3,160
Net cash outflow from investing activities		**(40,007)**	(29,437)
Cash flows from financing activities			
Proceeds from issue of shares	8(a)	**12,388**	-
Cost of share issue	8(a)	**(147)**	(3)
Proceeds from borrowings		**4,000**	165
Repayment of borrowings		**(4,114)**	(52)
Net cash inflow from financing activities		**12,127**	110
Net increase/(decrease) in cash and cash equivalents		**9,606**	(720)
Cash and cash equivalents at the beginning of the year		**14,849**	15,569
Cash and cash equivalents at end of year	6(a)	**24,455**	14,849

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

CONTENTS OF THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

HOW NUMBERS ARE CALCULATED

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

(a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction.

(b) analysis and sub-totals, including segment information.

(c) information about estimates and judgements made in relation to particular items.

1 SEGMENT INFORMATION

(a) SEGMENT RESULTS

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

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

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

	GOLD OPERATIONS $'000	RARE METALS $'000	UNALLOCATED $'000	GROUP $'000
30 JUNE 2016				
Gold sales to external customers	**109,134**	**-**	**-**	**109,134**
Interest income	**257**	**-**	**233**	**490**
Total segment revenue	**109,391**	**-**	**233**	**109,624**
Segment net profit/(loss) before income tax	**14,304**	**(264)**	**(7,377)**	**6,663**
Segment net profit/(loss) includes the following non-cash adjustments:				
Depreciation and amortisation	**(29,929)**	**-**	**(260)**	**(30,189)**
Deferred stripping costs capitalised	**15,740**	**-**	**-**	**15,740**
Exploration expenditure written off or provided for	**-**	**(17)**	**(99)**	**(116)**
Inventory product movement and provision	**424**	**-**	**-**	**424**
Income tax expense	**-**	**-**	**(1,968)**	**(1,968)**
Total non-cash adjustments	**(13,765)**	**(17)**	**(2,327)**	**(16,109)**
Total segment assets	**110,964**	**93,207**	**17,089**	**221,260**
Total segment liabilities	**(24,194)**	**(1,014)**	**(5,742)**	**(30,950)**
Net segment assets	**86,770**	**92,193**	**11,347**	**190,310**
30 JUNE 2015				
Gold sales to external customers	101,941	-	-	101,941
Interest income	338	-	188	526
Total segment revenue	102,279	-	188	102,467
Segment net profit/(loss) before income tax	589	(310)	(8,416)	(8,137)
Segment net profit / (loss) includes the following non-cash adjustments :				
Depreciation and amortisation	(26,557)	-	(172)	(26,729)
Deferred stripping costs capitalised	11,012	-	-	11,012
Exploration expenditure written off or provided for	-	-	(1,071)	(1,071)
Inventory product movement and provision	(4,703)	-	-	(4,703)
Income tax benefit	-	-	4,051	4,051
Total non-cash adjustments	(20,248)	-	2,808	(17,440)
Total segment assets	104,630	73,444	12,892	190,966
Total segment liabilities	(16,151)	(689)	(3,676)	(20,516)
Net segment assets	88,479	72,755	9,216	170,450

2 REVENUE

	YEAR ENDED 30 JUNE 2016 $'000	YEAR ENDED 30 JUNE 2015 $'000
Revenue from continuing operations		
Gold sales	**109,134**	101,941
Other revenue		
Interest income	**490**	526
Total revenue	**109,624**	102,467

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

(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 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.

3 EXPENSES

	YEAR ENDED 30 JUNE 2016 $'000	YEAR ENDED 30 JUNE 2015 $'000
Cost of sales		
Cash costs of production	**76,236**	78,215
Deferred stripping costs capitalised	**(15,740)**	(11,012)
Inventory product movement	**(601)**	2,857
Inventory product provision net realisable value	**177**	1,847
Depreciation and amortisation	**29,929**	26,557
Royalties and selling costs	**3,251**	2,902
Share based payments	**2,099**	-
	95,351	101,366
Other expenses		
Corporate administration	**2,242**	1,995
Employee remuneration and benefits expensed	**2,172**	2,395
Share based payments	**1,120**	272
Professional fees and consulting services	**1,572**	1,481
Exploration expenditure provided for or written off	**116**	1,071
Directors' fees and salaries expensed	**580**	704
Peak Hill site maintenance and rehabilitation	**87**	121
Depreciation	**260**	172
	8,149	8,211

(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 $18,238,000 of employee remuneration and benefits (2015: $17,026,000).

3 EXPENSES (continued)

(b) DEFERRED STRIPPING COSTS CAPITALISED

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

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

(c) INVENTORY PRODUCT MOVEMENT

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

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

(d) INVENTORY PRODUCT PROVISION FOR NET REALISABLE VALUE

Inventories must be carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete processing and to make a sale. The net realisable value provision equals the decrement between the net realisable value and the carrying value before provision.

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

4 OTHER INCOME AND EXPENSE ITEMS

(a) OTHER GAINS/(LOSSES)

	YEAR ENDED	
	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Other net income/(expense)		
Loss on sale of available-for-sale assets	**-**	(948)
Net foreign exchange gains/(losses)	**8**	(8)
Loss on disposal of non-current assets	**(13)**	(33)
Other income	**980**	335
	975	(654)

The other income includes the sale of water available under certain owned water licences of $211,000 (2015: $168,000) as well as NSW government payroll tax rebate under the Job Actions Plan $587,000 (2015: $24,000).

5 INCOME TAX

(a) INCOME TAX EXPENSE / (BENEFIT)

	YEAR ENDED	
	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Current tax benefit	**-**	(630)
Deferred tax expense/(benefit)	**1,968**	(3,421)
Total income tax expense/(benefit)	**1,968**	(4,051)

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 includes an estimation of the benefit for such a claim as the review of activities performed and expenditures made has progressed sufficiently to allow a reliable estimate of the amount of the claim.

5 INCOME TAX (continued)

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

	YEAR ENDED 30 JUNE 2016 $'000	30 JUNE 2015 $'000
Profit/(Loss) before income tax expense	**6,663**	(8,137)
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	**1,999**	(2,441)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Utilisation of previously unrecognised tax losses	**(169)**	(690)
Tax benefits of deductible equity raising costs	**(339)**	(395)
Research and development tax incentive	**(526)**	(640)
Non-deductible share based payments	**966**	81
Other items	**37**	34
Subtotal	**(31)**	(1,610)
Income tax expense/(benefit)	**1,968**	(4,051)

(c) DEFERRED TAX ASSETS

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
The balance comprises temporary differences attributable to:		
Tax losses	**705**	2,898
Research and development tax incentive	**3,506**	1,919
Capital raising and future blackhole deductions	**144**	436
Property, plant and equipment	**10,828**	10,148
Other	**1,838**	1,710
Total deferred tax assets	**17,021**	17,111
Set-off of deferred tax liabilities pursuant to set-off provisions	**(17,021)**	(17,111)
Net deferred tax assets	**-**	-

MOVEMENTS	TAX LOSSES $'000	CAPITAL RAISING AND FUTURE BLACKHOLE DEDUCTIONS $'000	PROPERTY, PLANT AND EQUIPMENT $'000	R&D TAX INCENTIVE CREDITS $'000	OTHER $'000	TOTAL $'000
At 1 July 2014	1,332	855	8,457	-	931	11,575
Charged/(credited)						
- to profit or loss	1,566	(25)	1,691	1,919	780	5,931
- directly to equity	-	(395)	-	-	-	(395)
At 30 June 2015	2,898	435	10,148	1,919	1,711	17,111
At 1 July 2015	**2,898**	**435**	**10,148**	**1,919**	**1,711**	**17,111**
Charged/(credited)						
- to profit or loss	**(2,193)**	**4**	**680**	**1,587**	**127**	**205**
- directly to equity	**-**	**(295)**	**-**	**-**	**-**	**(295)**
At 30 June 2016	**705**	**144**	**10,828**	**3,506**	**1,838**	**17,021**

5 INCOME TAX (continued)

(d) DEFERRED TAX LIABILITIES

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
The balance comprises temporary differences attributable to:		
Exploration expenditure	**(21,766)**	(19,575)
Other	**(2)**	(20)
Total deferred tax liabilities	**(21,768)**	(19,595)
Set-off of deferred tax assets	**17,021**	17,111
Net recognised deferred tax liabilities	**(4,747)**	(2,484)

MOVEMENTS	EXPLORATION EXPENDITURE $'000	AVAILABLE-FOR-SALE FINANCIAL ASSETS $'000	OTHER $'000	TOTAL $'000
At 1 July 2014	15,676	1,208	201	17,085
Charged/(credited)				
- to profit or loss	3,899	(1,208)	(181)	2,510
At 30 June 2015	19,575	-	20	19,595
At 1 July 2015	**19,575**	**-**	**20**	**19,595**
Charged/(credited)				
- to profit or loss	**2,191**	**-**	**(18)**	**2,173**
At 30 June 2016	**21,766**	**-**	**2**	**21,768**

(e) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Relating to equity raising costs	**295**	395

(f) TAX LOSSES

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Unused tax losses for which no deferred tax asset has been recognised	**20,602**	21,166
Potential tax benefit at 30.0% (2015: 30%)	**6,181**	6,350
Potential tax benefit of other unrecognised temporary differences at 30% (2015: 30%)	**44**	-

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.

5 INCOME TAX (continued)

(f) TAX LOSSES (continued)

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.

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

The financial assets are presented as current assets as management intends to dispose of them within 12 months of the end of the reporting period excluding other financial assets which are non current assets.

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Financial assets at amortised cost		
Cash and cash equivalents	**24,455**	14,849
Receivables	**273**	353
Other financial assets	**7,197**	7,586
	31,925	22,788

The receivables balance above excludes prepayments and tax receivable balances which do not meet the definition of financial assets.

	NOTES	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Financial liabilities at amortised cost			
Trade and other payables	6(e)	**8,745**	9,726

(a) CASH AND CASH EQUIVALENTS

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Cash at bank and on hand	**24,455**	14,849

Cash at bank at balance date bore a weighted average interest rate of 0.9% (2015: 1.4%).

(i) Classification as cash and cash equivalents

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

(b) RECEIVABLES

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Prepayments	**849**	552
GST and fuel tax credit receivable	**847**	1,386
Other receivables	**24**	50
	1,720	1,988

6 FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) RECEIVABLES (continued)

(i) Classification as receivables

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

Receivables are recognised initially at fair value and then subsequently measured at amortised cost, less provision for impairment. If collection of the amounts is expected in one year or less they are classified as current assets, if not, they are presented as non-current assets.

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

(ii) Fair value of receivables

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

(iii) Impairment and risk exposure

Information about the impairment of receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 11.

(c) AVAILABLE-FOR-SALE FINANCIAL ASSETS

	YEAR ENDED	
	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Listed equity securities		
Opening balance at beginning of period	-	4,945
Disposals during the period	-	(4,945)
Closing balance at end of period	-	-

(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 recognised through profit and loss.

(d) OTHER FINANCIAL ASSETS

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Non-current assets		
Interest bearing security deposits	**7,197**	7,586

The above deposits are held by financial institutions or regulatory bodies as security for rehabilitation obligations as required under the respective exploration and mining leases or as required under agreement. In the prior year, $2,000,000 was provided to a financial institution as security for hedging facilities for subsidiary Tomingley Gold Operations Pty Ltd. During the year a new hedging facility was secured and the security was returned. Refer to note 21 for details of assets pledged as security.

All interest bearing security deposits are held in Australian dollars and therefore there is no exposure to foreign currency risk. Please refer to note 11(a) for the Group's 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 2016 $'000	30 JUNE 2015 $'000
Current liabilities		
Trade payables	**2,647**	6,235
Other payables	**6,098**	3,491
	8,745	9,726

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

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

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

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 2016 $'000	30 JUNE 2015 $'000
Current assets		
Ore stockpiles	**3,450**	1,653
Gold in circuit	**2,359**	3,755
Bullion on hand	**4,713**	4,690
Consumable stores	**1,872**	1,407
	12,394	11,505

(i) Assigning costs to inventories

The cost of individual items of inventory are determined using weighted average costs. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to ore stockpiles, gold in circuit and bullion on hand on the basis of weighted average costs. Inventories must be carried at the lower of cost and net realisable value. At balance date ore stockpiles, gold in circuit and bullion on hand were carried at net realisable value, with consumable stores carried at cost (2015: ore stockpiles, gold in circuit and bullion on hand were carried at net realisable value, with consumable stores carried at cost).

A provision of $2,016,000 was recorded at 30 June 2016 to write down inventories to their recoverable value (2015: $1,847,000). The movement in the provision of $169,000 (2015: $1,847,000) was recognised as an expense during the year and included in cost of sales in the statement of comprehensive income.

Consumable stores include diesel, explosives and other consumables items.

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(b) EXPLORATION AND EVALUATION

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Opening balance at beginning of period	**65,251**	53,406
Expenditure during the period	**7,418**	12,916
Amounts provided for or written off	**(116)**	(1,071)
Closing balance end of period	**72,553**	65,251

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

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

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

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

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

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

(c) PROPERTY, PLANT AND EQUIPMENT

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

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(c) PROPERTY, PLANT AND EQUIPMENT (continued)

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WIP $'000	MINE PROPERTIES $'000	TOTAL $'000
YEAR ENDED 30 JUNE 2015					
Opening cost	24,737	67,449	458	70,373	163,017
Additions	523	132	4,688	11,189	16,532
Disposals	-	(53)	-	-	(53)
Transfers between classes	400	2,478	(4,327)	1,449	-
Net movement	923	2,557	361	12,638	16,479
Closing cost	25,660	70,006	819	83,011	179,496
Opening accumulated depreciation and impairment	(4,310)	(25,019)	-	(33,656)	(62,985)
Depreciation charge	(1,762)	(10,738)	-	(14,229)	(26,729)
Disposals	-	5	-	-	5
Net movement	(1,762)	(10,733)	-	(14,229)	(26,724)
Closing accumulated depreciation and impairment	(6,072)	(35,752)	-	(47,885)	(89,709)
Closing net carrying value	19,588	34,254	819	35,126	89,787

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance 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 over their estimated useful lives as follows:

- Buildings units of production
- Plant and equipment units of production
- Mining properties units of production
- Office equipment 3 - 5 years
- Furniture and fittings 4 years
- Motor vehicles 4 - 5 years
- Software 2 - 3 years

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

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

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

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(c) PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Deferred stripping costs capitalised

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

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

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

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

(ii) Mine properties

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

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when it is probable that the additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as part of the cost of production. Mine properties are amortised on a units of production basis over the economically recoverable resources of the mine concerned. The unit of account is tonnes milled for mine properties other than capitalised deferred stripping costs (refer note 7(c)(i)).

Refer to note 23 for the Group's accounting policy in relation to impairment of non-current assets.

(d) PROVISIONS

		30 JUNE 2016			30 JUNE 2015	
	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000	CURRENT $'000	NON-CURRENT $'000	TOTAL $'000
Employee benefits	**1,703**	**422**	**2,125**	1,525	229	1,754
Rehabilitation	**-**	**15,333**	**15,333**	-	6,552	6,552
	1,703	**15,755**	**17,458**	1,525	6,781	8,306

(i) Provisions

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

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

7 NON-FINANCIAL ASSETS AND LIABILITIES (continued)

(d) PROVISIONS (continued)

(ii) Information about individual provisions and significant estimates Employee benefits

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

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

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 corporate bonds with terms and currencies that match as closely as possible, the estimated future cash outflows. Where the Group does not have an unconditional right to defer settlement for any annual or long service leave owed, it is classified as a current provision regardless of when the Group expects to realise the provision.

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 $188,000 (2015: $229,000) was recognised in finance charges in the statement of comprehensive income.

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

(iii) Movements in provisions

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

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Rehabilitation and mine closure		
Carrying amount at the start of the year	**6,552**	6,418
Amounts utilised during the year	**(1,113)**	(88)
Additional provision incurred	**8,011**	-
Unwinding of discount	**188**	229
Change in estimate	**1,695**	(7)
Carrying amount at end of period	**15,333**	6,552

8 EQUITY

(a) CONTRIBUTED EQUITY

	NOTES	30 JUNE 2016 SHARES	30 JUNE 2015 SHARES	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Ordinary shares - fully paid	8(a)(ii)	**476,159,490**	414,218,670	**213,791**	201,845

(ii) Movements in ordinary share capital

DETAILS	NUMBER OF SHARES	$'000
Opening balance 1 July 2014	412,639,000	202,243
Employee share scheme issue	1,579,670	-
	414,218,670	202,243
Less: Transaction costs arising on share issue	-	(3)
Deferred tax credit recognised directly in equity	-	(395)
Balance 30 June 2015	414,218,670	201,845
Opening balance 1 July 2015	**414,218,670**	**201,845**
Entitlement share issue	**61,940,820**	**12,388**
	476,159,490	**214,233**
Less: Transaction costs arising on share issue	**-**	**(147)**
Deferred tax credit recognised directly in equity	**-**	**(295)**
Balance 30 June 2016	**476,159,490**	**213,791**

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

(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.

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

(b) RESERVES

Share-based payments

The share-based payments reserve is used to recognise:

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

(c) ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Opening balance	**(32,109)**	(28,023)
Net profit/(loss) for the period	**4,695**	(4,086)
Closing balance	**(27,414)**	(32,109)

9 CASH FLOW INFORMATION

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

	YEAR ENDED	
	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Profit/(loss) after tax	**4,695**	(4,086)
Depreciation and amortisation	**30,189**	26,729
Non-cash finance charges	**188**	212
Share-based payments	**3,219**	272
Net loss on disposal of non-current assets	**13**	33
Net loss on sale of available-for-sale financial assets	**-**	948
Exploration costs provided for or written off	**116**	1,071
Change in operating assets and liabilities:		
(Increase) / decrease in trade and other receivables	**(130)**	2,384
(Increase) / decrease in inventories	**(889)**	3,885
(Decrease)/Increase in trade and other payables	**(2,253)**	537
Increase/(decrease) in deferred tax balances	**1,968**	(4,051)
Increase in provisions	**370**	673
Net cash inflow from operating activities	**37,486**	28,607

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.

10 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) CARRYING VALUE OF NON-CURRENT ASSETS

Non-current assets include capitalised exploration and evaluation expenditures and mine properties. The Group has capitalised significant exploration and evaluation expenditure on the basis either that such expenditure is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped and activities are planned to enable that determination.

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration asset through sale. The future recoverability of mine properties is dependent on the generation of sufficient future cash flows from operations (or alternately sale). Factors that could impact the future recoverability of exploration and evaluation and mine properties include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices and exchange rates.

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

(b) IMPAIRMENT OF CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE AND MINE PROPERTIES

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

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 (2015: nil).

(c) REHABILITATION AND MINE CLOSURE PROVISIONS

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

(d) NET REALISABLE VALUE AND CLASSIFICATION OF INVENTORY

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

10 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(e) INCOME TAXES

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

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority 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) and 5(c) for the current recognition of tax losses.

(f) SHARE BASED PAYMENTS

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for share appreciation rights is determined with the assistance of an external valuer. The number of performance rights issued under the long term incentive plan are adjusted to reflect management's assessment of the probability of meeting the targets and service condition. The related assumptions are set out in note 18. The accounting estimates and assumptions relating to equity settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

11 FINANCIAL RISK MANAGEMENT

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

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

The Board of Directors' has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks and mitigating strategies.

(a) MARKET RISK

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

(i) Foreign exchange risk

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

These Australian dollar denominated gold forward contracts are entered into and continue to be held for the purpose of physical delivery of gold bullion. As a result, the contracts are not recorded in the financial statements. Refer to note 13(a) for further information.

(ii) Commodity price risk

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

(iii) Interest rate risk

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) MARKET RISK (continued)

Summarised market risk sensitivity analysis

	INTEREST RATE RISK IMPACT ON PROFIT AFTER TAX					
	30 JUNE 2016			30 JUNE 2015		
	CARRYING AMOUNT $'000	+100BP $'000	-100BP $'000	CARRYING AMOUNT $'000	+100BP $'000	-100BP $'000
Financial assets						
Cash and cash equivalents	**24,455**	**171**	**(171)**	14,849	104	(104)
Receivables*	**273**	**-**	**-**	353	-	-
Other financial assets	**7,197**	**50**	**(50)**	7,586	53	(53)
Financial liabilities						
Trade and other payables	**(8,745)**	**-**	**-**	(9,725)	-	-
Total increase / (decrease)		**221**	**(221)**		157	(157)

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

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

(b) CREDIT RISK

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

(i) Risk management

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

(ii) Credit quality

Tax receivables and prepayments do not meet the definition of financial assets. None of the Group's receivables were past due or impaired at balance date.

(c) LIQUIDITY RISK

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

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

12 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

13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(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 (2015: $200,000). The landholders have the right to require subsidiary Australian Zirconia Limited to acquire their property as provided for in the development consent conditions for the Dubbo Zirconia Project or under agreement with Australia Zirconia Limited.

The Group has entered into forward gold sales contracts which are not accounted for on the balance sheet. A contingent liability of $7,074,000 (2015: contingent asset $1,028,000) existed at the balance date in the event that the contracts are not settled by the physical delivery of gold.

At balance date the Group had issued gold call options for 12,000 ounces of gold at an average strike price of $1,771 per ounce expiring in equal portions in December 2017 and March 2018. A contingent liability of $2,230,000 existed at the balance date in the event that the contracts are not settled by the physical delivery of gold.

(b) CONTINGENT ASSETS

There were no contingent assets at 30 June 2016 (2015: $1,028,000).

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 costs are discretionary, however if the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Within one year	**1,373**	1,542

(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 2016 $'000	30 JUNE 2015 $'000
Within one year	**358**	325
Later than one year but not later than five years	**-**	290
	358	615

14 COMMITMENTS (continued)

(c) PHYSICAL GOLD DELIVERY COMMITMENTS

As part of its risk management policy, the Group enters into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold. During the year as part of the financing arrangement with Macquarie Bank Limited, the Group entered into two gold call option contracts totalling 12,000 ounces.

The gold forward and option contracts disclosed below did not meet the criteria of financial instruments for accounting purposes on the basis that they met the normal purchase / sale exemption because physical gold would be delivered into the contract. Accordingly, the contracts were accounted for as sale contracts with revenue recognised in the period in which the gold commitment was met.

	GOLD FOR PHYSICAL DELIVERY OUNCES	CONTRACTED GOLD SALE PRICE PER OUNCE ($)	VALUE OF COMMITTED SALES $'000
30 JUNE 2016			
Fixed forward contracts			
Within one year	**50,900**	**1,683**	**85,680**
Later than one year but not later than five years	**13,000**	**1,715**	**22,300**
Total	**63,900**		**107,980**
Gold call options			
Later than one year but not later than five years	**12,000**	**1,771**	**21,252**
Total	**12,000**		**21,252**
30 JUNE 2015			
Fixed forward contracts			
Within one year	24,000	1,577	37,848

(d) CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities amounted to $1,435,000 (2015: $632,000).

15 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to year end the Group finalised the shortfall placement of the one for five share entitlement issue. Please refer to the significant changes in the state of affairs for more details.

The Group entered into a $14,000,000 working capital facility with Macquarie Bank Limited comprising project loan facility, performance bond facility and hedging facility. Facility documentation was completed in early July allowing for draw down on loan and bond facilities.

The Group entered into an exclusive marketing and sales agreement with Minchem Ltd in August. Refer to the Review of Operations report for more details.

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

OTHER INFORMATION

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

16 INTERESTS IN OTHER ENTITIES

The Group's subsidiaries at 30 June 2016 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 2016 %	2015 %
Australian Zirconia Holdings Pty Ltd	Western Australia	**100**	100
Australian Zirconia Limited	Western Australia	**100**	100
Tomingley Holdings Pty Ltd	New South Wales	**100**	100
Tomingley Gold Operations Pty Ltd	New South Wales	**100**	100
Toongi Pastoral Company Pty Ltd	New South Wales	**100**	-

The Group established Toongi Pastoral Company Pty Ltd on 10 March 2016 to manage the residual land acquired for the Dubbo Zirconia Project.

17 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 16.

17 RELATED PARTY TRANSACTIONS (continued)

(c) KEY MANAGEMENT PERSONNEL COMPENSATION

	YEAR ENDED 30 JUNE 2016 $	YEAR ENDED 30 JUNE 2015 $
Short-term employee benefits	**1,716,852**	1,701,339
Post-employment benefits	**128,355**	128,354
Share-based payments	**455,030**	193,822
	2,300,237	2,023,515

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

Ms K E Brown is associated with Mineral Administration Services Pty Ltd, a Company which provides corporate administration, 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.

(d) TRANSACTIONS WITH OTHER RELATED PARTIES

The following transactions occurred with related parties:

Nuclear IT, a Director related entity, provides information technology consulting services to the Group which includes the coordination of the purchase of information technology hardware and software for the current year of $89,000 (2015: $88,000) . The terms are documented in a Service Level Agreement and represent normal commercial terms and conditions.

During the period fees amounting to $302,229 (2015: $316,925) were paid to Mineral Administration Services (MAS) in which the company secretary of the Group, Ms K E Brown has a substantial financial interest. MAS provides administration, accounting and company secretarial services to the Group.

(e) RELATED PARTY PAYABLES

There were $29,643 worth of invoices outstanding at the end of the reporting period in relation to transactions with related parties (2015: $69,800).

18 SHARE-BASED PAYMENTS

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

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

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

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

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

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

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

18 SHARE-BASED PAYMENTS (continued)

Executive Directors and other Executives

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

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

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

	2016		2015	
	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $
PERFORMANCE RIGHTS				
Outstanding at the beginning of the year	**3,907,405**	**0.21**	-	-
Issued during the year	**4,945,307**	**0.25**	5,861,105	0.21
Vested during the year	**(1,232,047)**	**0.25**	-	-
Lapsed during the year	**(445,417)**	**0.25**	(1,953,700)	0.21
Outstanding at the end of the year	**7,204,278**	**0.23**	3,907,405	0.21

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

The fair value of each performance right at the time of the valuation performed for Remuneration Committee approval when the number of rights to be granted was determined, being the VWAP for June 2015, was $0.32 (2015: $0.27 VWAP for June 2014).

	2016		2015	
	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $
SHARE APPRECIATION RIGHTS				
Opening balance	**10,550,000**	**0.07**	-	-
Issued during the year	**13,187,499**	**0.09**	10,550,000	0.07
Outstanding at the end of the year	**23,737,499**	**0.08**	10,550,000	0.07

The fair value of each share appreciation right at the time of the valuation performed for Remuneration Committee approval when the number of rights to be granted was determined, being as at 7 August 2015, was $0.08 (2015: $0.10 as at 14 August 2014).

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

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

The following table lists the inputs to the models used.

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

18 SHARE-BASED PAYMENTS (continued)

Executive Directors and other Executives (continued)

EXPENSES ARISING FROM SHARE BASED PAYMENTS TRANSACTIONS

	YEAR ENDED	
	30 JUNE 2016 $	30 JUNE 2015 $
Employee share scheme	**2,576,338**	-
Share appreciation rights	**641,792**	272,000
	3,218,130	272,000

19 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 2016 $	30 JUNE 2015 $
Audit of annual financial statements	**115,600**	98,900
Review of half year financial statements	**35,950**	34,900
Other assurance services	**42,875**	17,920
Total remuneration for audit and other assurance services	**194,425**	151,720

(ii) Other services

Other services	**3,500**	-
Total remuneration for other services	**3,500**	-

20 EARNINGS PER SHARE

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

	YEAR ENDED	
	2016 NUMBER	2015 NUMBER
Weighted average number of ordinary shares used in denominator in calculating basic profit/(loss) per share	**420,783,944**	413,539,195
Weighted average number of ordinary shares used as the denominator in calculating diluted profit/(loss) per share	**424,809,827**	416,215,672

21 ASSETS PLEDGED AS SECURITY

As at the date of this report $7,197,000 (2015: $7,586,000) in deposits has been provided as security. Refer to note 6(d) for details.

As mentioned in the Directors Report, in early July 2016 subsidiary Tomingley Gold Operations Pty Ltd completed the establishment of a working capital facility for $14,000,000 with Macquarie Bank Limited. The facility comprises:

- a loan facility of $7,000,000 repayable by 30 June 2017;
- a performance bond facility of $7,000,000 repayable by 29 September 2017; and
- hedging facilities comprised of A$ gold forward facility and 12,000 ounces of A$ call options.

21 ASSETS PLEDGED AS SECURITY (continued)

The hedging facility was entered into during the year ended 30 June 2016 as a condition precedent to the finalisation of the working capital facilities and at balance date the following securities were provided:

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

As a result of securing the Macquarie Bank facilities, the Group repaid in full the $4,000,000 working capital facility noted in the half year financial report.

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Cash and cash equivalents	**14,571**	-
Receivables	**972**	-
Inventories	**12,394**	-
Total current assets pledged as security	**27,937**	-
Non-current		
Plant and equipment	**75,939**	-
Total non-current assets pledged as security	**75,939**	-
Total assets pledged as security	**103,876**	-

22 PARENT ENTITY FINANCIAL INFORMATION

(a) SUMMARY FINANCIAL INFORMATION

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

	30 JUNE 2016 $'000	30 JUNE 2015 $'000
Balance sheet		
Current assets	**10,086**	6,963
Non-current assets	**181,213**	164,383
Total assets	**191,299**	171,346
Current liabilities	**(807)**	(1,065)
Non-current liabilities	**(181)**	(128)
Total liabilities	**(988)**	(1,193)
Shareholders' equity		
Issued capital	**213,791**	201,845
Reserves	**1,582**	463
Accumulated losses	**(25,062)**	(32,155)
Total equity	**190,311**	170,153
Statement of Comprehensive Income		
Profit/(loss) for the period after income tax	**7,092**	(858)
Other comprehensive loss	**(1,119)**	(463)
Total comprehensive income/(loss)	**5,973**	(1,321)

The parent entity provided a guarantee in respect of the working capital facilities entered into by subsidiary Tomingley Gold Operations Pty Ltd. Refer to note 21 for details.

22 PARENT ENTITY FINANCIAL INFORMATION (continued)

(b) DETERMINING THE PARENT ENTITY FINANCIAL INFORMATION

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

(i) Tax consolidation legislation

Alkane Resources Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Refer to note 5 for further detail.

(ii) Share-based payments rights

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

23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of all significant accounting policies adopted in the preparation of the consolidated financial statements that have not been disclosed previously. The policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Alkane Resources Ltd and its subsidiaries. Comparatives presented are for the 12 month period to 30 June 2015.

(a) BASIS OF PREPARATION

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

(i) Compliance with IFRS

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

(ii) Historical cost convention

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

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

(c) FOREIGN CURRENCY TRANSLATION

(i) Functional and presentation currency

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

23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) FOREIGN CURRENCY TRANSLATION (continued)

(ii) Transactions and balances

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

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

(d) INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Impairment

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

The Group has assessed there is no requirement to impair for the current year.

(e) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

- the 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.

(f) GOODS AND SERVICES TAX (GST)

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

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

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

(g) ROUNDING OF AMOUNTS

The Company has relied on the relief provided by the 'ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191', relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, the nearest dollar.

(h) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the Parent Entity, Alkane Resources Ltd, disclosed in note 22 has been prepared on the same basis as the consolidated financial statements, except as set out below.

23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) PARENT ENTITY FINANCIAL INFORMATION (continued)

(i) 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.

(i) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

TITLE OF STANDARD	NATURE OF CHANGE	IMPACT	MANDATORY APPLICATION DATE/ DATE OF ADOPTION BY GROUP
AASB 9 Financial Instruments	AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and new impairment model for financial assets.	The Group does not expect any impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities. There will also be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.	Must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed AASB 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) PARENT ENTITY FINANCIAL INFORMATION (continued)

(i) New accounting standards and interpretations (continued)

TITLE OF STANDARD	NATURE OF CHANGE	IMPACT	MANDATORY APPLICATION DATE/ DATE OF ADOPTION BY GROUP
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2018), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	At this stage, the Group does not foresee any material impact given revenue is predominantly gold sales.	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Group: 1 July 2018.
AASB 16 Leases	The AASB requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.	At this stage, the Group does not foresee any material impact given the term and values of current leases.	Mandatory for financial years commencing on her after 1 January 2019.

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

30 JUNE 2016

In the Directors' opinion:

(a) the financial statements and notes set out on pages 25 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 2016 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 23(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 August 2016

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 2016, 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 Group (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 23, 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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pwc

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 2016 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 23.

Report on the Remuneration Report

We have audited the remuneration report included in pages 38 to 48 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
26 August 2016

SHARE HOLDING AT 20 SEPTEMBER 2016 – ALK

(a) DISTRIBUTION OF SHAREHOLDERS

SHARE HOLDING	NUMBER OF HOLDERS OF FULLY PAID ORDINARY SHARES
1 - 1,000	765
1,001 - 5,000	1,980
5,001 - 10,000	1,159
10,001 - 100,000	2,111
100,001 - over	446
	6,461

(b) UNMARKETABLE PARCELS

There are 947 shareholders who hold less than a marketable parcel.

(c) VOTING RIGHTS

Voting rights are one vote per fully paid ordinary share

(d) NAMES OF THE SUBSTANTIAL HOLDERS AS DISCLOSED IN SUBSTANTIAL HOLDING NOTICES:

SHAREHOLDER	NUMBER OF SHARES
Abbotsleigh Pty Ltd	109,869,451
FIL Limited	41,263,900

TOP TWENTY SHAREHOLDERS AT 20 SEPTEMBER 2016

SHAREHOLDER	NUMBER OF SHARES	% ISSUED CAPITAL
Abbotsleigh Pty Ltd	102,669,451	20.66
JP Morgan Nominees Australia Limited	64,367,220	12.95
Citicorp Nominees Pty Limited	28,949,825	5.83
HSBC Custody Nominees (Australia) Limited	13,213,248	2.66
HSBC Custody Nominees (Australia) Limited – A/C 2	13,163,307	2.65
National Nominees Limited	6,797,258	1.37
Choice Investments Dubbo Pty Ltd	6,724,695	1.35
Sandhurst Trustees Ltd <DMP Asset Management A/C>	6,158,909	1.24
Washington H Soul Pattinson	5,500,000	1.11
Funding Securities Pty Ltd <CJ Ferguson Personal SF A/C>	3,700,000	0.74
Bac Kao Investment Pty Ltd <Bac Kao Family A/C>	2,792,888	0.56
Leefab Pty Ltd	2,752,456	0.55
ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	2,653,331	0.53
Mandel Pty Ltd <Mandel Super Fund A/C>	2,500,000	0.50
Mr Richard Mitchell Dimond & Mrs Denise Rosslyn Dimond <The Dimond Super Fund A/C>	2,400,000	0.48
Ms Jillanne Homewood	2,350,421	0.47
Mr David Hanbury Edmonds <David Edmonds S/F A/C>	2,336,536	0.47
Ms Kathryn Jane Swan	2,000,000	0.40
S Maas Holdings Pty Ltd <Shawn Maas Family A/C>	1,968,227	0.40
Berne No 132 Nominees Pty Ltd <152417 A/C>	1,848,000	0.37
	274,845,772	55.29

RESTRICTED SECURITIES

As at the date of this report, there were no securities subject to restriction under the Listing Rules of ASX Limited.

ON MARKET BUY-BACK

As at the date of this report, there was no current on market buy-back

CORPORATE GOVERNANCE STATEMENT

The Company's annual Corporate Governance Statement has been published and released to ASX separately.

It is available on the Company's website at http://www.alkane.com.au/index.php/corporate/corporate-governance

AT 20 SEPTEMBER 2016

TENEMENT NUMBER	PROJECT NAME/LOCALITY	ALKANE INTEREST %	OTHER INTERESTS
GL 5884 (Act 1904)	Peak Hill, NSW	100	
ML 6036	Peak Hill, NSW	100	
ML 6042	Peak Hill, NSW	100	
ML 6277	Peak Hill, NSW	100	
ML 6310	Peak Hill, NSW	100	
ML 6389	Peak Hill, NSW	100	
ML 6406	Peak Hill, NSW	100	
ML 1351	Peak Hill, NSW	100	
ML 1364	Peak Hill, NSW	100	
ML 1479	Peak Hill, NSW	100	
EL 6319	Peak Hill, NSW	100	
EL 5548	Dubbo, NSW	100	
ML 1724	Dubbo, NSW	100	
EL 7631	Geurie, NSW	100	
EL 6320	Wellington, NSW	100	
EL 5675	Tomingley, NSW	100	
EL 5830	Tomingley, NSW	100	
EL 5942	Tomingley, NSW	100	
EL 6085	Tomingley, NSW	100	
ML 1684	Tomingley, NSW	100	
EL 7020	Cudal, NSW	100	
EL 8340	Cudal, NSW	100	
EL 4022	Bodangora, NSW	100	
EL 6209	Kaiser/Bodangora, NSW	100	Subject to 2% net smelter return – Ajax Joinery Pty Ltd
EL 8261	Finns Crossing near Bodangora, NSW	100	
EL 8170	Rockley, NSW	100	
EL 8194	Rockley, NSW	100	
EL 6082	Elsienora near Crooked Corner, NSW	80	20% Balamara Resources Limited
EL 6767	Elsienora near Crooked Corner, NSW	80	
EL 8442	Orange East, NSW	0	Alkane earning up to 80% from Clancy Exploration Limited who hold 100% beneficial interest in the tenement
E 46/522-I	Nullagine, WA	0	100% BC Iron Limited Alkane group retains 60% interest in diamond potential
E 46/523-I	Nullagine, WA	0	
E 46/524	Nullagine, WA	0	
M 36/303	Miranda Well, WA	19.4	Cosmos Joint Venture Alkane group diluting 80.6% Australian Nickel Investments Pty Ltd
M 36/329	McDonough, WA	19.4	
M 36/330	McDonough, WA	19.4	