

ALKANE RESOURCES LTD
ACN 000 689 216

ANNUAL FINANCIAL REPORT 2010

Directors' Report

The directors present their report on the consolidated entity consisting of Alkane Resources Ltd (ACN 000 689 216) and the entities it controlled at the end of, or during, the year ended 31 December 2010.

DIRECTORS

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

J S F Dunlop (Chairman)

D I Chalmers

I J Gandel

A D Lethlean

I R Cornelius (deceased 14 July 2010)

PRINCIPAL ACTIVITIES

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

RESULTS

The net amount of consolidated profit of the Group for the financial year after income tax was \$7,789,079 (2009 profit \$2,297,604).

DIVIDENDS

No dividends have been paid by the Company during the financial year ended 31 December 2010, nor have the directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

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

A Definitive Feasibility Study for the development of the Tomingley gold deposits was completed in December 2010. The final Environmental Assessment is scheduled to be lodged early in 2011 with the review and consent process expected to take approximately five months. A financial adviser has been appointed to investigate funding alternatives for project development.

The Demonstration Pilot Plant (DPP) for the Dubbo Zirconia Project continues to confirm the process flow sheet and provide engineering data for capital and operating cost estimates as well as generate substantial product for market evaluation. In particular, during the year work has progressed on the recovery of yttrium heavy rare earth (YHREE) and light rare earth (LREE) products. Discussions continue with potential customers with a view to negotiation of off-take agreements for the project's suite of products.

Exploration and evaluation continued on the Orange District Exploration Joint Venture, managed by Newmont Australia. A resource assessment of the significant gold discovery at McPhillamys was published by the Company in July and the project was enhanced by further drilling during the year.

Work also continues on Company's other exploration projects including Cudal, Wellington (including the Galwadgere copper-gold prospect), Bodangora, Calula and Diamond Creek.

In April, the Company raised approximately \$9.7m (less costs) by the sale of its remaining investment in BC Iron Ltd.

A Sponsored American Depositary Receipt (ADR) program was established late in 2010 providing a broader secondary market for the Company's listed securities. The ADRs are tradeable via licensed US brokers in the ordinary course of trading on OTC Markets in the United States with a ratio of 10 ordinary shares to one ADR.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The state of affairs of the Company was not affected by any significant changes during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

On 31 January 2011, wholly owned subsidiaries Tomingley Holdings Pty Ltd and Tomingley Gold Operations Pty Ltd were formed.

On 17 February 2011, 20 million shares were issued at \$1.05 per share completing a placement to raise additional funds for the Company's continuing activities.

On 24 February 2011, the Company's sponsored ADRs commenced quotation on the US OTC market's prestigious tier, OTCQX International.

Directors' Report (continued)

EVENTS SUBSEQUENT TO BALANCE DATE (continued)

No other matter or circumstance has arisen since 31 December 2010 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2010.

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

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

Mining

During the year, there were no breaches of the requirements relating to certain environmental restrictions at the Company's mine site at Peak Hill, NSW. Management is working with Industry and Investment NSW and Department of Environment, Climate Change and Water to ensure compliance with all licence conditions. The Company employs a full time environmental manager.

Exploration

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

General

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

PARTICULARS OF DIRECTORS

John Stuart Ferguson Dunlop (Non-Executive Chairman)

BE (Min), MEng Sc (Min), FAusIMM (CP), FIMM, MAIME, MCIMM

Appointed director and Chairman 3 July 2006

Mr Dunlop (60) is a consultant mining engineer with about 40 years surface and underground mining experience both in Australia and overseas. He is a former director of the Australian Institute of Mining and Metallurgy (2001 - 2006) and is currently Chairman of its affiliate, MICA the Mineral Consultants Society.

Mr Dunlop is non-executive chairman of Alliance Resources Ltd (appointed 30 November 1999) and a non-executive director of Gippsland Ltd (appointed 1 July 2005) and of Copper Strike Ltd (appointed 9 November 2009). Former public company directorships in the previous three years are: Encore Metals NL (November 1999 to November 2006) and Drummond Gold Ltd (1 August 2008 – 15 July 2010).

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, FIMMM, FSEG, MSGA, MGSA, FAICD

Appointed director 10 June 1986, appointed Managing Director 5 October 2006

Mr Chalmers (62) is a geologist and graduate of the Western Australian Institute of Technology (Curtin University) and has a Master of Science degree from the University of Leicester in the United Kingdom. He has worked in the mining and exploration industry for over 40 years, during which time he has had experience in all facets of exploration through feasibility and development to the production phase.

Mr Chalmers is currently a principal in Multi Metal Consultants Pty Ltd. During the last three years Mr Chalmers was also a non-executive director of AuDAX Resources Ltd (October 1993 to February 2009) and Northern Star Resources Ltd (May 2000 to September 2008).

Mr Chalmers is a member of the Nomination Committee and was a member of the Remuneration Committee until December 2010.

Directors' Report (continued)

Ian Jeffrey Gandel (Non-executive Director)

LLB, BEc, FCPA, FAICD

Appointed director 24 July 2006

Mr Gandel (53) is a successful Melbourne businessman with extensive experience in retail management and retail property. He has been a director of the Gandel Retail Trust and has had an involvement in the construction and leasing of Gandel shopping centres. He has previously been involved in the Priceline retail chain and the CEO chain of serviced offices.

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

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

Anthony Dean Lethlean (Non-executive Director)

BAppSc(geology)

Appointed director 30 May 2002

Mr Lethlean (47) is a geologist with over 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers and is currently a director of Helmsec Global Capital Limited (Mr Lethlean is a substantial shareholder in Helmsec Global Capital Limited). Mr Lethlean is a non-executive director of Alliance Resources Ltd (appointed 15 October 2003).

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

JOINT COMPANY SECRETARIES

Lindsay Arthur Colless

CA, JP (NSW), FAICD

Mr Colless (65) is a member of the Institute of Chartered Accountants in Australia with over 15 years experience in the profession and a further 33 years experience in Commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director. He is a director and/or secretary of a number of public companies.

Karen E V Brown

BEc (hons)

Miss Brown (50) is a director and company secretary of Mineral Administration Services Pty Ltd. She has considerable experience in corporate administration of listed companies over a period exceeding 20 years, primarily in the mineral exploration industry. She is company secretary of a number of publicly listed companies including Northern Star Resources Ltd, Alkane Resources Ltd and General Mining Corporation Ltd.

NOMINATION COMMITTEE

The Nomination Committee comprises the full Board.

DIRECTORS' MEETINGS

The following sets out the number of meetings of the Company's directors held during the year ended 31 December 2010 and the number of meetings attended by each director.

There were six (6) Directors' meetings, two (2) Audit, two (2) Nomination and one (1) Remuneration Committee meetings held during the financial year.

The number of meetings attended by each director during the year (while they were a director or committee member) is as follows:

Director	Board of Directors		Audit		Committee Meetings		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J S F Dunlop	6	6	2	2	2	2	1	1
D I Chalmers	6	6	n/a	n/a	2	2	1	1
I R Cornelius	3	1	n/a	n/a	1	1	-	-
I J Gandel	6	6	2	2	2	1	1	-
A D Lethlean	6	6	2	2	2	2	1	1

Directors' Report (continued)

SHARE OPTIONS

There were no unissued ordinary shares of Alkane Resources Ltd under option at the date of this report.

No person who was entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

DIRECTORS' INTERESTS AND BENEFITS

- a) technical services and geological consulting fees of \$583,580 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.
- b) consulting fees of \$6,525 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.

These fees and disbursements exclude benefits included in the aggregate amount of emoluments received or due and receivable by Directors as directors' fees and shown in the financial statements, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee.

REMUNERATION REPORT

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

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

The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

The information provided within this remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 'Related Party Disclosures'. These disclosures have been transferred from the financial report and have been audited.

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

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

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

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

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

Non-executive directors

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

Directors' Report (continued)

REMUNERATION REPORT (continued)

Director's fees

Directors' fees are determined within an aggregate directors' fee pool limit (currently \$450,000 per annum), which is periodically recommended for approval by shareholders. This amount is separate from any specific tasks the directors may take on for the Company. For example, Multi Metal Consultants Pty Ltd of which Mr Chalmers is a principal provides technical services for the Company, separate from his task as an executive Director.

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

Other than the managing director, there are no other executive officers or senior managers of the Company or Group.

B. Details of remuneration (audited)

	Consolidated		Parent entity	
	2010	2009	2010	2009
	\$	\$	\$	\$
Total income received, or due and receivable, by directors of Alkane Resources Ltd from the Company, and any related party in connection with the management of the Company and any related parties.	898,605	893,168	767,377	817,333

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

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

- L A Colless - Company Secretary
- K E Brown - Joint Company Secretary

Key Management Personnel and other executives of the Company

Name	<u>Short-term benefits</u> Cash Salary and fees \$	<u>Post-employment benefits</u> Superannuation \$	<u>Share-based payment</u> \$	Total \$
Executive Director of Alkane Resources Ltd				
2010				
D I Chalmers	654,531^a	-	-	654,531
Non-executive Directors of Alkane Resources Ltd				
2010				
J S F Dunlop	91,785	-	-	91,785
I R Cornelius	29,795	-	-	29,795
I J Gandel	60,000	-	-	60,000
A D Lethlean	62,492	-	-	62,492
	244,072^b	-	-	244,072
Key management personnel of Alkane Resources Ltd				
2010				
L A Colless	81,000^c	-	-	81,000
K E Brown	81,000^c	-	-	81,000
	162,000	-	-	162,000

^a\$70,950 relates to fees paid for Mr Chalmers' services as Managing Director, the balance relates to fees paid to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.

^b\$237,547 relates to fees paid to non-executive directors, the balance relates to consulting fees paid to the directors or related entities for services provided in the normal course of business and at normal commercial rates

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

No long term or termination benefits have been paid.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Name	<u>Short-term benefits</u> Cash Salary and fees \$	<u>Post-employment</u> <u>benefits</u> Superannuation \$	<u>Share-based payment</u> \$	Total \$
Executive Directors of Alkane Resources Ltd				
2009				
D I Chalmers	672,015 ^a	-	-	672,015
Non executive Directors of Alkane Resources Ltd				
2009				
J S F Dunlop	71,160	-	-	71,160
I R Cornelius	50,000	-	-	50,000
I J Gandel	50,000	-	-	50,000
A D Lethlean	49,992	-	-	49,992
	221,152 ^b	-	-	221,152
Other key management personnel of Alkane Resources Ltd				
2009				
L A Colless	63,000 ^c	-	-	63,000
K E Brown	63,000 ^c	-	-	63,000
	126,000	-	-	126,000

^aTechnical services and geological consulting fees paid to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest, for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs.

^b\$219,953 relates to fees paid to non-executive directors, the balance relates to consulting fees paid to the directors or related entities for services provided in the normal course of business and at normal commercial rates

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

No long term or termination benefits have been paid.

C. Service agreements (audited)

Formal written consultancy agreements exist with companies of which the Managing Director and key management personnel have a substantial financial interest as detailed below

D I Chalmers

Term of agreement- 2 years commencing October 2009

Agreement

Managing director retainer of \$85,800 per annum payable to Leefab Pty Ltd in which Mr Chalmers has a substantial financial interest pursuant to a formal agreement for a term of two years commencing 1 October 2009.

Geological consulting, technical and support services provided by Multi Metal Consultants Pty Ltd (and its personnel), a company in which Mr Chalmers has a substantial financial interest, pursuant to a formal agreement for a term of two years commencing 1 October 2009.

Termination

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

The Multi Metals Consultants Pty Ltd consultancy agreement may be terminated by six months notice from either the Company or the Consultant.

Directors' Report (continued)

REMUNERATION REPORT (continued)

C. Service agreements (audited) (continued)

L A Colless and K E Brown

Term of agreement – on going commencing July 2006

Agreement

Consulting fees of \$13,500 per month payable by the Company and its subsidiaries to Mineral Administration Services Pty Ltd, a company in which Mr Colless and Miss Brown have substantial financial interests.

Termination

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

Non – executive Directors

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

J S F Dunlop

Agreement

Retainer payable to John S Dunlop & Associates Pty Ltd, in which Mr Dunlop has a substantial financial interest, of \$70,000 per annum plus \$5,000 per annum for membership of specified Board committees (\$7,500 for chairmanship of committees) plus per diem of \$1,200 per day up to 4 days per month averaged over a 12 month rolling period for consulting services over and above normal director duties .

Termination

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

I J Gandel

Agreement

Retainer payable to Gandel Metals Pty Ltd in which Mr Gandel has a substantial financial interest of \$50,000 per annum plus \$5,000 per annum for membership of specified Board committees plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

Termination

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

A D Lethlean

Agreement

Retainer payable to Rocky Rises Pty Ltd, in which Mr Lethlean has a substantial financial interest, of \$50,000 per annum plus \$5,000 per annum for membership of specified Board committees (\$7,500 for chairmanship of committees) plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

Termination

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

D. Share-based payments (audited)

Options granted during the year

No options were granted to the directors during the year.

Options granted during the year

No options were granted to the directors during the year.

Shares issued on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Alkane Resources Ltd and other key management personnel of the Group are set out below.

Directors' Report (continued)

REMUNERATION REPORT (continued)

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

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options	
		2010	2009
Directors of Alkane Resources Ltd			
I J Gandel	25 September 2009	-	500,000
J S Dunlop	25 September 2009	-	495,000
I R Cornelius	29 September 2009	-	1,000,000
A D Lethlean	29 September 2009	-	317,426
A D Lethlean	30 September 2009	-	176,570
J S F Dunlop	30 September 2009	-	5,000
D I Chalmers	30 September 2009	-	500,000
Other Key Management Personnel			
L A Colless	29 September 2009	-	500,000
K E Brown	29 September 2009	-	250,000

There were no amounts paid by the directors and key management personnel on the exercise of options during the year.

No amounts are unpaid on any shares issued on exercise of options.

E. Additional information – (audited)

Shares issued on the exercise of options

There were no ordinary shares of Alkane Resources Ltd issued during the year ended 31 December 2010 on the exercise of options.

No further shares have been issued since that date. No amounts are unpaid on any of the shares.

Key Management Personnel

Other than the Executive Director and Company Secretaries, there were no other key management personnel during the financial year.

INSURANCE OF OFFICERS AND AUDITORS

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

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

The liability insured is the indemnification of the Company 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 Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability incurred as such by an officer or auditor.

CORPORATE GOVERNANCE

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

Directors' Report (continued)

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

Auditors' Independence -Section 307C

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

"Dear Sirs,

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

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2010 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)
Rothsay Chartered Accountants"
Dated 18 March 2011

Non-Audit Services

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out 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 Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

The following amounts were paid to the auditors	Consolidated	
	2010	2009
	\$	\$
Auditor's remuneration		
- auditing the accounts	43,000	39,100
Non-audit services		
- taxation services	4,050	8,000

Signed in accordance with a resolution of the Directors.



D I Chalmers
Director

Dated at Perth this 18th day of March 2011

Statement of Comprehensive Income

For The Year Ended 31 December 2010

	Note	Consolidated	
		2010 \$	2009 \$
Revenue from continuing operations			
Rent received		26,190	29,783
Gains recognised from sale of investments		9,598,273	4,093,340
Gains recognised from sale of assets		1,000	-
Interest received or due and receivable from other corporations		326,011	227,063
Government grant		164,855	356,340
Other revenue		-	7,601
		10,116,329	4,714,127
Expenses from continuing operations			
Rent		(50,282)	(47,000)
Filing fees		(39,630)	(46,490)
Share Registry costs		(62,009)	(27,450)
Annual reports		(17,714)	(18,333)
Directors' corporate consulting		(425,882)	(386,513)
Administration and secretarial		(163,250)	(108,738)
Consulting		(46,350)	-
Motor vehicle expenses		(32,317)	(32,168)
Employee costs		(41,272)	13,899
Legal fees		(9,904)	(4,333)
Public relations		(173,243)	(124,630)
Travel, entertainment & seminars		(80,067)	(52,897)
Insurances		(96,916)	(118,554)
Administration expenses		(40,959)	2,240
Audit fees	25	(43,000)	(39,100)
Auditor - other services		(4,050)	(8,000)
Share based remuneration	20	-	(2,805)
Depreciation		(48,565)	(48,777)
Peak Hill minesite maintenance and rehabilitation		(129,947)	(129,661)
Exploration costs		(760,182)	(1,219,547)
Provision for quoted shares		(240)	1,860
Provision for employee entitlements		(61,471)	(19,526)
		(2,327,250)	(2,416,523)
Profit/(Loss) before income tax		7,789,079	2,297,604
Income tax attributable	2	-	-
Profit/(Loss) for the year		7,789,079	2,297,604
Other comprehensive income			
Changes in the fair value of quoted shares		-	8,695,000
Total comprehensive income/(loss) for the year		7,789,079	10,992,604
Comprehensive income/(loss) is attributable to:			
Members of Alkane Resources Ltd		7,789,079	10,992,659
Minority interests		-	(55)
		7,789,079	10,992,604
Profit/(Loss) is attributable to:			
Members of Alkane Resources Ltd	17	7,789,079	2,297,659
Minority interests		-	(55)
		7,789,079	2,297,604
Earnings per share for loss attributable to the ordinary equity holders of the Company	22	\$0.03	\$0.01

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 31 December 2010

	Note	Consolidated	
		2010 \$	2009 \$
Current Assets			
Cash and cash equivalent	18	4,554,725	4,831,721
Receivables	3	437,755	220,633
Available for sale financial assets	4	2,760	5,928,000
Other financial assets		-	-
Total Current Assets		4,995,240	10,980,354
Non-Current Assets			
Property, plant & equipment	5	2,070,910	1,084,476
Capitalised exploration and evaluation expenditure	6	39,266,274	31,993,916
Other financial assets	7	511,647	495,821
Total Non-Current Assets		41,848,831	33,574,213
Total Assets		46,844,071	44,554,567
Current Liabilities			
Payables	8	996,620	637,667
Provisions	9	93,873	72,171
Total Current Liabilities		1,090,493	709,838
Non-Current Liabilities			
Provisions	9	185,568	145,798
Total Non-Current Liabilities		185,568	145,798
Total Liabilities		1,276,061	855,636
Net Assets		45,568,010	43,698,931
Equity			
Contributed equity	10	62,079,683	62,079,683
Reserves	12	-	5,920,000
Accumulated losses	12	(16,511,673)	(24,418,320)
Total parent entity interest		45,568,010	43,581,363
Outside equity interests in controlled entities		-	117,568
Total Equity		45,568,010	43,698,931

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Consolidated	Notes	Attributable to members of Alkane Resources Ltd			Minority Interest \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000		
Balance at 1 January 2009		60,122	2,348	(26,716)	117	35,871
Total comprehensive income/(loss) for the year		-	8,695	2,298	-	10,993
Contributions of equity, net of transaction costs	10	1,308	-	-	-	1,308
Realisation of reserve on disposal of asset	12A	-	(4,476)	-	-	(4,476)
Share options expenses	12A	-	3	-	-	3
Shares issued on exercise of options	12A	646	(646)	-	-	-
Transfer from share options reserve	12A	4	(4)	-	-	-
Balance at 31 December 2009		62,080	5,920	(24,418)	117	43,699
Consolidated	Notes	Attributable to members of Alkane Resources Ltd			Minority Interest \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000		
Balance at 1 January 2010		62,080	5,920	(24,418)	117	43,699
Total comprehensive income/(loss) for the year		-	-	7,789	-	7,789
Contributions of equity, net of transaction costs	10	-	-	-	-	-
Realisation of reserve on disposal of asset	12A	-	(5,920)	-	-	(5,920)
Transfer of minority interest on deconsolidation of subsidiary				117	(117)	
Share options expenses	12A	-	-	-	-	-
Shares issued on exercise of options	12A	-	-	-	-	-
Transfer from share options reserve	12A	-	-	-	-	-
Balance at 31 December 2010		62,080	-	(16,512)	-	45,568

The accompanying notes form part of these financial statements

Statement of Cash Flows

For The Year Ended 31 December 2010

	Note	Consolidated	
		2010	2009
		\$	\$
Cash Flows from Operating Activities			
Rent received		28,809	29,783
Payments to suppliers (inclusive of goods and services tax)		(1,491,256)	(589,692)
Other income		-	7,601
Interest received		263,105	227,063
Net cash from operating activities	19	(1,199,342)	(325,245)
Cash Flows from Investing Activities			
Purchase of plant, property & equipment		(1,034,998)	(118,205)
Proceeds from sale of plant, property & equipment		1,000	
Proceeds from sale of investment securities		9,603,273	4,097,340
Payments for loans to subsidiaries		-	-
Proceeds from security deposits		-	-
Payments for security deposits		(15,825)	(26,128)
Exploration expenditure		(7,795,959)	(8,784,638)
Net cash provided for investing activities		757,491	(4,831,631)
Cash Flows from Financing Activities			
Proceeds from issue of shares and options		-	1,318,199
Cost of share issues		-	(9,945)
Receipts from Commercial Ready Grant		164,855	356,340
Net cash flow from financing activities		164,855	1,664,594
Net increase (decrease) in cash and cash equivalents		(276,996)	(3,492,282)
Cash and cash equivalents at the beginning of the financial year		4,831,721	8,324,003
Cash and cash equivalents at the end of the financial year	18	4,554,725	4,831,721

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For The Year Ended 31 December 2010

1. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Alkane Resources Ltd ("the Company") as an individual entity and the consolidated entity consisting of Alkane Resources Ltd and its subsidiaries.

a) Basis of preparation

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

All amounts are presented in Australian dollars, unless otherwise noted.

Separate financial statements for Alkane Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Alkane Resources Limited as an individual entity is included in Note 16.

Compliance with IFRSs

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

Historical cost convention

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

b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alkane Resources Ltd ("the Company") as at 31 December 2010 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Alkane Resources Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

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

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

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

c) Income Tax

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

d) Goods and Services Tax (GST)

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

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

Notes to the Financial Statements

For The Year Ended 31 December 2010

1. Statement of Accounting Policies (Continued)

d) Goods and Services Tax (GST) (continued)

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

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

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

e) Segment Reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance.

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Intersegment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value on market interest rates.

Segment assets

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

Segment liabilities

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

f) Revenue Recognition

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

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

g) Government Grants

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

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised as income of the period in which it becomes receivable.

h) Royalties and other mining imposts

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

i) Cash and cash equivalents

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

Notes to the Financial Statements

For The Year Ended 31 December 2010

1. Statement of Accounting Policies (Continued)

j) Trade and Other Receivables

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

k) Fair Value Estimation

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

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

l) Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Depreciation is calculated on a straight line basis to write off the net cost of each asset during their expected useful life as follows:

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

m) Investments and Other Financial Assets

The Group classifies its investments in the following categories: loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. This designation is re-evaluated at each reporting date.

n) Impairment of assets

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

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

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

o) Trade Payables

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

p) Provisions

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

q) Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised. The Company has no finance leases.

Notes to the Financial Statements

For The Year Ended 31 December 2010

1. Statement of Accounting Policies (Continued)

r) Joint ventures

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

s) Exploration expenditure

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

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

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

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

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

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

t) Restoration, rehabilitation and environment expenditure

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

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

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

u) Employee benefits

Wages and salaries, annual leave and sick leave

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

Long service leave

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

Notes to the Financial Statements

For The Year Ended 31 December 2010

1. Statement of Accounting Policies (Continued)

u) Employee benefits (Continued)

Superannuation

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

Redundancy

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

v) Contributed Equity

Ordinary shares are classified as equity.

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

w) Earnings per share

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

x) Share based payments

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

y) Comparative figures

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

z) New accounting standards and interpretations

The Group has adopted the following new and amended Australian Accounting Standards and interpretations as of 1 January 2010:

Affected Standard	Nature of Change to Accounting Policy	Application *
Revised AASB 127 : Consolidated and Separate Financial Statements	Changes in ownership interests by the Group, while maintaining control, are now recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 July 2009
AASB 3 : Business Combinations	Incorporates the following changes: <ul style="list-style-type: none"> - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss - Transaction costs, other than share and debt issue costs, will be expensed as incurred - Any pre-existing interest in an acquire will be measured at fair value with gain or loss recognised in profit or loss; and - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquire, on a transaction-by-transaction basis. AASB 3 will be applied prospectively and therefore there will be no impact on prior periods.	1 July 2009
AASB 1048 Interpretation of Standards	This standard is updated to provide a mandatory requirement to comply with Interpretations in the Australian context. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 July 2009

Notes to the Financial Statements

For The Year Ended 31 December 2010

1. Statement of Accounting Policies (Continued)

z) New accounting standards and interpretations (continued)

AASB 2008-6 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 July 2009
AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items	Clarifies the hedge accounting provisions of AASB 139 Financial Instruments: Recognition and Measurement to address: <ul style="list-style-type: none"> - Inflation in a financial hedged item (inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument) - A one-sided risk in a hedged item – the amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective. 	1 July 2009
AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 July 2009
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 January 2010
AASB 2009-8 Amendment to Australian Accounting Standards – Group Cash Settled Share-based Payments	Amends AASB 2 Share Based Payments to clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	

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

The following Applicable Australian Accounting Standards have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2010. The Group has not been able to fully assess the impact of these revised standards:

- AASB 124 Related Party Disclosures
- AASB 9 Financial Instruments
- AASB 7 Financial Instruments: Disclosures
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-02 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- AASB 2009-14 Amendment to Australian Accounting Interpretation – Prepayments of a Minimum Funding Requirement
- AASB 2010-3 Amendment to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements
- AASB 2010-5 Amendments to Australian Accounting Standards
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

Notes to the Financial Statements

For The Year Ended 31 December 2010

1. Statement of Accounting Policies (Continued)

aa) Critical accounting estimates & judgements

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

i) Significant accounting judgements

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

Capitalisation of exploration and evaluation expenditure

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

ii) Significant accounting estimates and assumptions

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

Impairment of capitalised exploration and evaluation expenditure

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

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

As at 31 December 2010, the carrying value of exploration expenditure of the group is \$39,266,274.

Notes to the Financial Statements

For The Year Ended 31 December 2010

		Consolidated	
		2010	2009
		\$	\$
2.	Income Tax Expense		
	a) Income tax expense		
	Current tax	-	-
	Deferred tax	-	-
		<u>-</u>	<u>-</u>
	b) Numerical reconciliation of income tax expense to prima facie tax payable		
	Loss from continuing operations before income tax expense	7,789,089	2,297,604
	Prima facie tax payable at 30 %	2,336,727	689,281
	Add: tax effect of amounts which are not deductible (taxable) in calculating taxable income		
	Share based payments	-	842
	Adjustments in respect of deferred income tax of previous years	9,304,728	7,085,130
	Tax losses not brought to account as a deferred tax	(11,641,455)	(7,775,253)
		<u>-</u>	<u>-</u>
	c) Tax losses		
	Unused tax losses for which no deferred tax asset has been recognised		
	Potential tax benefit at 30%	13,386,431	13,559,960
		<u>13,386,431</u>	<u>13,559,960</u>
	d) Unrecognised temporary differences		
	Deferred tax liabilities – capitalised exploration	(11,551,828)	(9,232,311)
	Deferred tax assets – accrued expenses	-	-
	Deferred tax assets – provisions	83,832	65,391
	Deferred tax assets – revenue tax losses	13,386,500	13,559,960
	Total deferred tax asset not recognised	13,470,332	13,625,351
	Net deferred tax asset	1,918,504	4,393,040
		<u>1,918,504</u>	<u>4,393,040</u>
	Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and there is a legally recognised right to set off.		
3.	Trade and other Receivables (Current)		
	Debtors including GST refunds	437,755	220,633
		<u>437,755</u>	<u>220,633</u>
4.	Available for sale financial assets (Current)		
	Quoted Shares - fair value less than cost		
	Opening balance at 1 January	3,000	1,140
	Net gain (loss) from fair value adjustment	(240)	1,860
	Closing balance at 31 December	2,760	3,000
		<u>2,760</u>	<u>3,000</u>
	Quoted Shares - fair value greater than cost		
	Opening balance at 1 January	5,925,000	1,710,000
	Net gain (loss) from fair value adjustment	-	8,695,000
	Disposals during the year	(5,925,000)	(4,480,000)
	Closing balance at 31 December	-	5,925,000
		<u>-</u>	<u>5,925,000</u>
	Closing balance at 31 December	2,760	5,928,000
		<u>2,760</u>	<u>5,928,000</u>

Notes to the Financial Statements

For The Year Ended 31 December 2010

	Consolidated	
	2010	2009
	\$	\$
5. Property, Plant And Equipment		
Property, plant & equipment - at cost	2,391,844	1,356,845
Less: Accumulated depreciation	(320,934)	(272,369)
	<u>2,070,910</u>	<u>1,084,476</u>
Reconciliation of carrying amount		
Opening balance at 1 January	1,084,476	1,015,048
Plant & equipment acquired during year	1,034,999	118,205
Depreciation during year	(48,565)	(48,777)
Closing balance at 31 December	<u>2,070,910</u>	<u>1,084,476</u>
6. Exploration and Development Expenditure (Non-Current)		
Accumulated contributions to other ongoing exploration projects at fair value		
Opening balance at 1 January	31,993,916	25,035,091
Expenditure during the period	8,032,540	8,178,372
Net gain (loss) from fair value adjustment	(760,182)	(1,219,547)
Closing balance at 31 December	<u>39,266,274</u>	<u>31,993,916</u>
<p>The recovery of the costs of exploration and evaluation expenditure carried forward is dependent on the successful development and commercial exploitation of each area of interest, or otherwise by the sale at an amount not less than the carrying value.</p> <p>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.</p>		
7. Other financial assets (Non-Current)		
Interest bearing security deposits (not available for use)	511,647	495,821
	<u>511,647</u>	<u>495,821</u>
8. Trade and other Payables (Current Liabilities)		
Trade creditors	996,620	637,667
	<u>996,620</u>	<u>637,667</u>
9. Provisions (Current Liabilities)		
Provision for annual leave	93,873	72,171
	<u>93,873</u>	<u>72,171</u>
Provisions (Non-current Liabilities)		
Provision for redundancy/long service leave	185,568	145,798
	<u>185,568</u>	<u>145,798</u>

Notes to the Financial Statements

For The Year Ended 31 December 2010

	2010		Parent entity		2009	
	Number	\$	Number	\$	Number	\$
10. Contributed Equity						
Share Capital						
Ordinary shares – Fully paid	249,028,158	62,079,683	249,028,158	62,079,683	249,028,158	62,079,683
Movements in ordinary share capital						
Opening balance at 1 January	249,028,158	63,215,372	244,634,162	61,247,362	244,634,162	61,247,362
Exercise of options	-	-	4,393,996	1,318,199	4,393,996	1,318,199
Share option reserve transferred	-	-	-	649,811	-	649,811
Closing balance at 31 December	249,028,158	63,215,372	249,028,158	63,215,372	249,028,158	63,215,372
Less: Costs of Issues	-	(1,135,689)	-	(1,135,689)	-	(1,135,689)
As per Statement of Financial Position	249,028,158	62,079,683	249,028,158	62,079,683	249,028,158	62,079,683

Terms and conditions of ordinary shares:

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

11. Options on Issue

	Parent entity	
	2010 Number	2009 Number
Exercisable at 30 cents each vesting 19 Apr 2008 expiring 30 Sep 2009	-	-
Movements in these options:		
Balance at beginning of year	-	4,400,000
Issued during year	-	-
Exercised during the year	-	(4,393,996)
Expired during the year	-	(6,004)
Balance 31 December	-	-
Exercisable at 30 cents each vesting 31 Aug 2009 expiring 30 Sep 2009	-	-
Movements in these options:		
Balance at beginning of year	-	-
Issued during year	-	50,000
Expired during the year	-	(50,000)
Balance 31 December	-	-

Notes to the Financial Statements

For The Year Ended 31 December 2010

	Consolidated	
	2010	2009
	\$	\$
12. Reserves and Accumulated Losses		
(A) RESERVES		
Share-based payments reserve	-	-
Movement:		
Balance 1 January	-	647,006
Employee Option expense	-	2,805
Issue of shares to employees	-	(646,141)
Expired options	-	(3,670)
Balance 31 December	-	-
Share Investment Revaluation Reserve	-	5,920,000
Movement:		
Balance 1 January	5,920,000	1,701,000
Revaluation	-	8,695,000
Realised on disposal of shares	(5,920,000)	(4,476,000)
Balance 31 December	-	5,920,000
(B) ACCUMULATED LOSSES		
Balance 1 January	(24,418,320)	(26,715,979)
Loss for the year after related income tax expense	7,789,079	2,297,659
Minority interest transferred on deconsolidation	117,568	-
Balance 31 December	(16,511,673)	(24,418,320)

(C) NATURE AND PURPOSE OF RESERVES

The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised and equity-settled benefits issued in settlement of share issue costs and part consideration, in lieu of cash payment, for acquisition of mineral interests.

The available-for-sale investments revaluation reserve is used to recognise the fair value of available-for-sale financial assets.

13. Key Management Personnel Disclosure

A) Directors

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

Alkane Resources Ltd

John S F Dunlop, D Ian Chalmers, Ian J Gandel, Anthony D Lethlean and Ian R Cornelius (to 14 July 2010)

Subsidiaries

LFB Resources NL, Kiwi Australian Resources Pty Ltd, , Australian Zirconia Ltd

D Ian Chalmers, Lindsay A Colless, Ian J Gandel (appointed 21 July 2010) and Ian R Cornelius (to 14 July 2010)

Australasian Geo-Data Pty Ltd (subsidiary to November 2010)

D Ian Chalmers, Lindsay A Colless, and Ian R Cornelius (to 14 July 2010)

Skyray Properties Ltd (BVI)

G Menzies

Executives during year

D Ian Chalmers (Managing Director)

B) Other key management personnel

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

L A Colless – Company Secretary

K E Brown – Joint Company Secretary

Notes to the Financial Statements

For The Year Ended 31 December 2010

13. Key Management Personnel Disclosure (Continued)

C) Transactions with Key Management Personnel

- a) technical services and geological consulting fees of \$583,581 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.
- b) consulting fees of \$6,525 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.
- c) administration, accounting and company secretarial fees of \$162,000 paid or due and payable to a company in which Mr Colless and Miss Brown have substantial financial interests for services provided in the normal course of business and at normal commercial rates.

These fees and disbursements exclude benefits included in the aggregate amount of emoluments received or due and receivable by Directors as directors' fees and shown in the financial statements, prepared in accordance with the Corporations Regulations, or the fixed salary of a full time employee.

D) Outstanding Balances

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

Current payables

a) A D Lethlean	\$5,208
b) I J Gandel	\$5,417
c) J S Dunlop	\$7,705
d) D I Chalmers	\$74,057
e) L A Colless & K E Brown	\$18,830

E) Equity instrument disclosures relating to key management personnel

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

Name	Shares held directly	Shares held indirectly	Options held directly	Options held indirectly
A D Lethlean	-	393,996	-	-
D I Chalmers	4,536	1,967,148	-	-
I J Gandel	-	70,911,964	-	-
J S Dunlop	-	760,000	-	-
L A Colless	24,405	500,000 ^(a)	-	-
K E Brown	58,324	300,000 ^(a)	-	-
L A Colless & K E Brown in joint interests	-	284,849 ^(b)	-	-

(a) Held by MAS Superfund and other related parties for the benefit of the respective key management personnel

(b) Held in the name of Mineral Administration Services Pty Ltd, a company in which Mr. Colless and Miss Brown are directors and shareholders.

Notes to the Financial Statements

For The Year Ended 31 December 2010

13. Key Management Personnel Disclosure (Continued)

E) Equity instrument disclosures relating to key management personnel (Continued)

Name	Balance at the start of the financial period	Changes during the year	Issued during the year on exercise of options	Balance at the end of the financial period
(1) Shares				
Directors				
A D Lethlean	393,996	-	-	393,996
D I Chalmers	1,971,684	-	-	1,971,684
I J Gandel	70,911,964	-	-	70,911,964
J S Dunlop	790,000	(30,000)	-	760,000
Key Management Personnel				
L A Colless	626,405	(102,000)	-	524,405
K E Brown	358,324	-	-	358,324
L A Colless & K E Brown in joint interests	284,849	-	-	284,849
Total shares	75,337,222	(132,000)	-	75,205,222

(2) Options

Directors

A D Lethlean	-	-	-	-
D I Chalmers	-	-	-	-
I J Gandel	-	-	-	-
J S Dunlop	-	-	-	-
Key Management Personnel				
L A Colless	-	-	-	-
K E Brown	-	-	-	-
Total Options	-	-	-	-

2009

Name	Balance at the start of the financial period	Changes during the year	Issued during the year on exercise of options	Balance at the end of the financial period
(1) Shares				
Directors				
I R Cornelius	2,693,059	-	500,000	3,193,059
A D Lethlean	212,000	(312,000)	493,996	393,996
D I Chalmers	1,471,684	-	500,000	1,971,684
I J Gandel	70,411,964	-	500,000	70,911,964
J S Dunlop	500,000	(210,000)	500,000	790,000
Key Management Personnel				
L A Colless	526,405	(400,000)	500,000	626,405
K E Brown	308,324	(200,000)	250,000	358,324
L A Colless & K E Brown in joint interests	284,849	-	-	284,849
Total shares	76,408,285	(1,122,000)	3,243,996	78,530,281

Notes to the Financial Statements

For The Year Ended 31 December 2010

13. Key Management Personnel Disclosure

E) Key Management Personnel Disclosure – continued

2009

Name	Balance at the start of the financial period	Changes during the year	Issued during the year on exercise of options	Balance at the end of the financial period
<u>(2) Options</u>				
Directors				
I R Cornelius	500,000	(500,000)	-	-
A D Lethlean	500,000	(500,000)	-	-
D I Chalmers	500,000	(500,000)	-	-
I J Gandel	500,000	(500,000)	-	-
J S Dunlop	500,000	(500,000)	-	-
Key Management Personnel				
L A Colless	500,000	(500,000)	-	-
K E Brown	250,000	(250,000)	-	-
Total Options	3,250,000	(3,250,000)	-	-

* Expired during the year

F) Key management personnel compensation

	2010 \$	2009 \$
Short term employee benefits	898,605	893,168
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	898,605	893,168

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

G) Related party transactions

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

14. Segmental Information

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

Notes to the Financial Statements

For The Year Ended 31 December 2010

			Consolidated	
			2010	2009
			\$	\$
15. Related Party Transactions				
Directors (current)				
	Related party			
Type of transaction	Directors	Terms and conditions		
Management consulting	J S F Dunlop	Normal commercial	6,525	1,200
Director's retainer			85,260	69,960
Geological consulting, including geological and technical support staff	D I Chalmers	Normal commercial	583,581	606,014
Director's retainer			70,950	66,000
Management consulting	I R Cornelius	Normal commercial	-	-
Director's retainer			33,962	50,000
Director's consulting	I J Gandel	Normal commercial	-	-
Director's retainer			60,000	50,000
Consulting	A D Lethlean	Normal commercial	-	-
Directors' retainer			62,492	49,992
			Parent Entity	
			2010	2009
			\$	\$
16. Parent Entity Disclosures				
Financial Position				
Assets				
	Current assets		4,973,776	10,931,437
	Non-current assets		41,762,584	33,194,981
	Total assets		46,736,360	44,126,418
Liabilities				
	Current liabilities		1,000,782	281,689
	Non-current liabilities		185,568	145,798
	Total liabilities		1,186,350	427,487
Equity and Reserves				
	Issued capital		62,079,683	62,079,683
	Accumulated profits / (losses)		(16,529,673)	(24,300,752)
	Share valuation reserve		-	5,920,000
	Total equity		45,550,010	43,698,931
Financial Performance				
	Profit / (loss) for the year		7,771,079	2,297,604
	Other comprehensive income		-	8,695,000
	Total comprehensive income		7,771,079	10,992,604
Guarantees entered into by the Parent Entity			-	-
Contingent liabilities of the Parent Entity			-	-
Commitments for the acquisition of Property, Plant and Equipment by the Parent Entity			-	-

Notes to the Financial Statements

For The Year Ended 31 December 2010

17. Controlled Entities

Name	Inc	Class	Book value		Equity		Contribution to Group	
			2010 \$	2009 \$	2010 %	2009 %	2010 \$	2009 \$
Australian Zirconia Ltd	WA	Ord	1	1	100	100	(65,438)	(728,089)
Skyray Properties Ltd	BVI	Ord	2,300,000	2,300,000	100	100	(6,174)	(8,847)
Kiwi Australian Resources Pty Ltd	NSW	Ord	-	-	100	100	(212)	(212)
LFB Resources NL	NSW	Ord	3,558,700	3,558,700	100	100	(22,287)	(19,218)
Australasian Geo-Data Pty Ltd	Qld	Ord	-	6,864	0	74	(181)	(157)
			5,858,701	5,865,565				
Contribution to Group Profit (Loss) after minorities								
Parent – Alkane Resources Ltd							(94,292)	(756,523)
Profit (loss) for year – group							7,883,371	3,054,182
Loans to (from) subsidiaries							7,789,079	2,297,659
Provision for loss							20,801,218	16,099,787
Parent net investment in subsidiaries							(9,139,178)	(9,038,666)
							17,520,741	12,926,686

Consolidated	
2010	2009
\$	\$

18. Reconciliation of Cash

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	4,291,080	4,579,130
Call deposits	263,645	252,591
	4,554,725	4,831,721

Cash at bank bears a weighted average interest rate of 3.29% (2009: 3.75%)

19. Reconciliation Of Net Cash Outflow From Operating Activities To Operating Loss After Income Tax

Operating Profit (Loss)	7,789,079	2,297,604
Non-cash fair value adjustments		
• Depreciation and amortisation	48,565	771,188
• Movements in Provisions	61,711	17,666
Share based payments	-	2,805
Grant received	(164,855)	(356,340)
Exploration	523,601	1,103,402
Gains recognised from sale of investments	(9,598,273)	(4,093,340)
Gains recognised from sale of assets	(1,000)	
Changes in net current assets and liabilities		
• Decrease (increase) in Trade and other receivables	(217,122)	535,756
• Decrease (increase) in Trade and other payables	358,952	(603,986)
Net cash provided for operating activities	(1,199,342)	(325,245)

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

Notes to the Financial Statements

For The Year Ended 31 December 2010

20. Share-Based Payments

Set out below is a summary of the options granted during the financial period:

Consolidated and parent entity 2010

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the financial period	Exercised during the financial period	Expired during the financial period	Balance at end of the financial period	Vested and exercisable at end of financial period
			(Number)	(Number)			(Number)	(Number)
Director options								
		-	-	-	-	-	-	-
Company Secretary options								
		-	-	-	-	-	-	-
Employee/Consultants options								
		-	-	-	-	-	-	-
Weighted average exercise price			\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Consolidated and parent entity 2009

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the financial period	Exercised during the financial period	Expired during the financial period	Balance at end of the financial period	Vested and exercisable at end of financial period
			(Number)	(Number)			(Number)	(Number)
Director options								
19 April 2009	30 Sep 2010	\$0.30	2,500,000	-	(2,493,996)	(6,004)	-	-
Company Secretary options								
19 April 2009	30 Sep 2010	\$0.30	750,000	-	(750,000)	-	-	-
Employee/Consultants options								
19 April 2009	30 Sep 2010	\$0.30	1,150,000	-	(1,350,000)	(50,000)	-	-
31 Aug 2010	30 Sep 2010	\$0.30	-	50,000	(50,000)	-	-	-
Weighted average exercise price			\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

(A) Director option expense

No options were issued to the Directors during the financial year.

(B) Employee option expense

Employee share options have been granted to provide long-term incentive for senior employees to deliver long-term shareholder returns. Participation in employee share options is at the Board's discretion and no individual has a contractual right to participate in a plan or to receive any guaranteed benefits.

(C) Expenses arising from share-based payment transactions

Total expenses arising from share-based payments recognised during the financial period as employee benefits expense was:

	Consolidated	
	2010	2009
	\$	\$
Director benefits (share options)	-	-
Employee/Consultant benefits (share options)	-	2,805
	-	2,805

Notes to the Financial Statements

For The Year Ended 31 December 2010

21. Subsequent Events

On 31 January 2011, wholly owned subsidiaries Tomingley Holdings Pty Ltd and Tomingley Gold Operations Pty Ltd were formed.

On 17 February 2011, 20 million shares were issued at \$1.05 per share completing a placement to raise additional funds for the Company's continuing activities.

On 24 February 2011, the Company's sponsored American Depository Receipts (ADRs) commenced quotation on the US OTC market's prestigious tier, OTCQX International.

No other matter or circumstance has arisen since 31 December 2010 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2010.

22. Earnings per Share ("Eps")

	Consolidated	
	2010	2009
	\$	\$
(a) Basic profit per share		
Profit attributable to the ordinary equity holders of the Company	0.03	0.01
	2010	2010
	\$	\$
(b) Earnings used in calculating earnings per share		
Profit attributable to the ordinary equity holders of the Company	7,789,079	2,294,604
	2010	2010
	Number	Number
(c) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	249,028,156	245,783,587

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

23. Commitments for Expenditure

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2011 amounts of approximately \$1,072,000 (2010 \$1,161,500) in respect of tenement lease rentals and exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in the normal course of operations.

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

	Consolidated	
	2010	2009
	\$	\$
Within one year	1,072,000	1,161,500
Later than one year but less than five years	-	-
Later than five years	-	-
	1,072,000	1,161,500

Notes to the Financial Statements

For The Year Ended 31 December 2010

24. Financial Risk Management

Overview:

The company and group have exposure to the following risks from their use of financial instruments:

- (a) credit risk
- (b) liquidity risk
- (a) market risk

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

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

(a) Credit risk:

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

(i) Investments:

The Group limits its exposure to credit risk by only investing with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables:

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

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

Exposure to credit risk:

The carrying amount of the Group's financial assets represents the maximum credit exposure.

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

	Consolidated Carrying amount	
	2010	2009
	\$	\$
Cash and cash equivalents	4,554,725	4,831,721
Trade and other receivables	437,755	220,633
Other financial assets	2,760	5,928,000
Security deposits	511,647	495,821
Total exposure	5,506,887	11,476,175

An impairment loss of \$100,511 in respect of inter-group loans was recognised during the current year from a net asset analysis of the subsidiaries' positions.

Impairment losses:

None of the Company's other receivables are past due (2009: nil).

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

	Parent entity	
	2010	2009
	\$	\$
Balance at 1 January	(9,038,666)	(8,282,089)
Impairment loss/(write-back) recognised	(100,511)	(756,577)
Balance at 31 December	(9,139,177)	(9,038,666)

Notes to the Financial Statements

For The Year Ended 31 December 2010

24. Financial Risk Management (Continued)

Whilst the loans were not payable as at 31 December 2010, a provision for impairment based on the subsidiaries financial position was made. The balance of this provision may vary due to the performance of a subsidiary in a given year.

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

	Consolidated Carrying amount	
	2010	2009
	\$	\$
Balance at 1 January	5,816,186	1,595,326
Sold during the year	(5,920,000)	(4,476,000)
Impairment loss/(write-back) recognised	(240)	8,696,860
Balance at 31 December	(104,054)	5,816,186

(b) Liquidity risk:

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

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

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

	Weighted Average Effective Interest Rate %	Variable Interest \$	Fixed Maturity Date		Non-interest Bearing \$	Total \$
			Less than 1 year \$	1 to 2 years \$		
2010						
Financial assets						
Cash	5.57	4,541,824	-	-	12,901	4,554,725
Interest bearing deposits	5.05	501,647	-	-	10,000	511,647
Investments	-	-	-	-	2,760	2,760
Receivables	-	-	-	-	437,755	437,755
		5,043,471	-	-	463,416	5,506,887
Financial liabilities						
Accounts payable	-	-	-	-	(996,620)	(996,620)
		-	-	-	(996,620)	(996,620)

Notes to the Financial Statements

For The Year Ended 31 December 2010

24. Financial Risk Management (Continued)

	Weighted Average Effective Interest Rate %	Variable Interest \$	Fixed Maturity Date		Non-interest Bearing \$	Total \$
			Less than 1 year \$	1 to 2 years \$		
2009						
Financial assets						
Cash	3.35	4,815,865	-	-	15,856	4,831,721
Interest bearing deposits	3.29	485,821	-	-	10,000	495,821
Investments	-	-	-	-	5,928,000	5,928,000
Receivables	-	-	-	-	220,633	220,633
		5,301,686	-	-	6,174,489	11,476,175
Financial liabilities						
Accounts payable	-	-	-	-	(637,667)	(637,667)
		-	-	-	(637,667)	(637,667)

(c) Market Risk:

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

(i) Currency risk:

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

(ii) Price Risk

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

The table below summarises the impact of increases/decreases of the securities prices on the Group's and the Company's profit for the year and on equity. The analysis is based on the assumption that the price of securities increased/decreased by 80% (2009 – 80%) with all the other variables held constant.

Consolidated	Profit or loss		Equity	
	Increase \$	Decrease \$	Increase \$	Decrease \$
31 December 2010 – 80% change	-	-	2,208	(2,208)
31 December 2009 – 80% change	2,400	(2,400)	4,742,400	(4,742,400)

(iii) Interest rate risk:

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

	Consolidated Carrying Amount	
	31 December 2010 \$	31 December 2009 \$
Fixed rate instruments		
Financial assets	-	-
Variable rate instruments		
Financial assets	5,506,887	11,476,175

Notes to the Financial Statements

For The Year Ended 31 December 2010

24. Financial Risk Management (Continued)

Fair value sensitivity analysis for fixed rate instruments:

There was no exposure to fixed rate instruments at balance date.

Fair value sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

Consolidated	Profit or loss		Equity	
	100 bp increase	100bp decrease	100 bp increase	100 bp decrease
31 December 2010				
Financial assets	55,069	(55,069)	55,069	(55,069)
31 December 2009				
Financial assets	114,762	(114,762)	114,762	(114,762)

Net Fair value

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

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

25. Auditors remuneration

Amount received or due and receivable by the auditor for:

a) **Audit services**

Audit and review of financial reports under the Corporations Act 2001

Consolidated	
2010	2009
\$	\$
43,000	39,100
4,050	8,000
47,050	47,100

b) **Non Audit services**

Income tax return preparation

Total remuneration of auditors

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

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

Directors' Declaration

In the opinion of the Directors of Alkane Resources Ltd:

- a) the financial statements and notes set out in preceding pages are in accordance with the Corporations Act 2001 including:
 - i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 December 2010 and of their performance for the financial year ending on that date; and
 - ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

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



D I Chalmers
Director
Perth, 18 March 2011

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALKANE RESOURCES LTD

We have audited the accompanying financial report of Alkane Resources Ltd (the Company) which comprises the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).



Audit opinion

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

- a) (i) giving a true and fair view of the Company's and the group's financial position as at 31 December 2010 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the Corporations Regulations 2001; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the remuneration report included in the Directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Audit Opinion

In our opinion the Remuneration Report of Alkane Resources Ltd for the year ended 31 December 2010 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham Swan
Partner

Dated 18 March 2011