ALKANE RESOURCES LTD
ACN 000 689 216

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR
ENDED 31 DECEMBER 2013

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the six month period ended 30 June 2013 and any public announcements made by Alkane Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Alkane Resources Ltd (ACN 000 689 216) and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

DIRECTORS
The following persons were Directors of Alkane Resources Ltd during the whole of the half-year and up to the date of this report:

J S F Dunlop (Chairman)
D I Chalmers
I J Gandel
A D Lethlean

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

RESULTS
The net amount of consolidated profit of the Group for the half-year after income tax was $4,071,000 (June 2013: loss of $66,418,000).

DIVIDENDS
No dividends have been paid by the Group during the half-year ended 31 December 2013, nor have the Directors recommended that any dividends be paid.

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

Tomingley Gold Operation (also referred to as the TGO)
The TGO is based on three defined gold resources, Wyoming One, Wyoming Three and Caloma, located 14 kilometres north of the Group's Peak Hill Gold Mine, and approximately 50 kilometres south west of Dubbo. The gold ore will be processed through a standard carbon-in-leach processing plant. The mine has a base case predicted lifespan of seven years, with a target of 10 – 12 years through additional exploration and resource definition. An estimated 350,000 to 400,000 ounces will be recovered over the project's seven-year life, averaging approximately 50,000 to 60,000 ounces per annum[1].

The Mining Lease was granted on 11 February 2013 by the NSW Department of Trade and Investment, Division of Resources and Energy. Site construction activities commenced immediately thereafter with construction completed in line with the project schedule on 31 January 2014. Plant commissioning was completed in February 2014 and efforts are now being focused on optimisation of the processing circuit. The first gold bar from the operation was poured on 14 February 2014. Construction capital costs for the project, including initial pre-stripping expenditures, were in line with the budget of $116.0 million, including contingencies.

Development stripping of overburden commenced late in October 2013 through a local contractor. 1.1 million bank cubic metres were removed from the Wyoming 3 and Caloma pits by the end of the reporting period. Mining by the Tomingley operations team using equipment on a dry hire contract commenced towards the end of January 2014.

Exploration and evaluation programs to upgrade the project's resource and reserve inventories and to determine the potential for additional resources within the project site were completed during the period resulting in a maiden resource of 1.7 million tonnes at 2.00 g/t gold for 109,300 ounces for the Caloma Two deposit[1]. The Caloma Two deposit is located immediately to the south of the planned Caloma open pit. It is anticipated that in the first half of calendar 2014 a reserve will be prepared for the Caloma Two deposit which will be incorporated into the life of mine plan.

Dubbo Zirconia Project (also referred to as the DZP)
The DZP is located 30 kilometres south of the city of Dubbo**.** The project is based upon a large in-ground resource of the metals zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements. Over several years the Group has developed a flow sheet consisting of sulphuric acid leach followed by solvent extraction recovery and refining to generate a suite of saleable products. Operation of the demonstration pilot plant at Australian Nuclear Science and Technology Organisation at Lucas Heights, near Sydney, continued with the focus on further process optimisation and product development. A separate ceramic colour testing facility was established at Allied Minerals Laboratories in Perth.

Directors' Report

REVIEW OF OPERATIONS (continued)

A significant improvement in recoveries for a number of critical rare earths was achieved during the period. These improvements resulted in an overall increase of about 22% in total rare earth output, but very importantly an increase of about 43% for the strategically important heavy rare earths. No increase in operating costs is anticipated with these modifications to offset the anticipated improved revenues resulting from the additional production volumes.

The updated Definitive Feasibility Study (DFS) was completed in April 2013 with capital and operating costs for the 1Mtpa operation. The DFS delivered a technically and financially robust project over an initial 20 years life with a pre-tax net present value of $1.23 billion[1].

The DZP has been classified by the NSW Department of Planning and Infrastructure (DP&I) as a State Significant Project. The Environmental Impact Statement was lodged with the DP&I on 28 June 2013. The public exhibition period has completed and all submissions received have been responded to.

Advice from the DP&I indicates that the Project will proceed to Planning Assessment Commission (PAC) review with the timing for this not determined at the date of this report. Allowance for PAC was made in the schedule for project approval and the Company believes that obtaining approval by the end of June 2014 remains achievable.

A Joint Venture Framework Agreement was executed in July 2013 with Treibacher Industrie AG replacing the existing Memorandum of Understanding. The Joint Venture will produce and market ferro-niobium using all of the niobium concentrate from the DZP. The MoU with Shin-Etsu Chemical Co. Ltd to provide toll treatment production of separated rare earth oxides and off-take was extended to 30 June 2014.

A tender is currently underway with several major engineering organisations for front end engineering design (FEED). The FEED will enable the project to have the majority of the construction scope let as an Engineering, Procurement and Construction (EPC) lump sum contract (single or separate packages) with the remainder as Engineering, Procurement, Construction and Management. The key study outputs to enable this are an estimate providing a bankable level operating and capital cost estimate and a fully defined and detailed project master schedule incorporating all aspects of the project.

The financing program led by Sumitomo Mitsui Banking Corporation and Credit Suisse is progressing. A number of positive meetings with international Export Credit Agencies were held during the period, and this financing option will continue to be advanced in the coming months.

Other exploration projects

The Group has continued exploration and evaluation activities on its other New South Wales projects.

During the period, the Group purchased the Kaiser Project (EL6209) from Ajax Joinery Pty Ltd and will acquire a 100% interest in the tenement for payment of $10,000 on transfer of the licence and payment of $200,000 and a 2% net smelter return on saleable products following expenditure of $500,000 on exploration within two years. If the Group does not wish to proceed following this exploration the licence will revert back to Ajax. The licence is a small licence of approximately 127 ha which is fully enclosed by the Group's existing tenure (EL4022) and is situated in the northern Molong Belt of the Macquarie Arc, an area considered highly prospective for alkali porphyry gold-copper mineralisation.

A 303.3 metre diamond drill hole was completed at the North Galwadgere prospect which demonstrated the continuing mineralisation at the deposit. Further drill testing is warranted.

Alkane also acquired two projects at Elsienora and Rockley located 75km south and 35km southeast of Blayney respectively. Both areas are considered prospective for McPhillamys style gold mineralisation.

Prior disclosure compliance

The Company confirms that it is not aware of any new information that materially affects the information included in the following ASX Releases:

- 17 February 2014 — Clarification previous announcement - quarterly report
- 12 November 2013 — Tomingley Gold Project – Caloma Two Resource
- 11 April 2013 — Definitive Feasibility Study confirms robust Dubbo Project and as updated 30/10/2013 Quarterly Activities Report – September 2013

The Company confirms that all material assumptions underpinning the estimated production target for the TGO and the forecast financial information from the DZP DFS as disclosed continue to apply and have not materially changed.

Directors' Report

REVIEW OF OPERATIONS (continued)

Corporate

During the period 11,200,311 Regis Resources Limited shares were sold at an average price of $3.89 for net proceeds of $43,599,000 and a profit on sale of $11,122,000. The company still holds 3,015,000 shares in Regis Resources Limited.

Subsequent to balance date, Alkane, on behalf of TGO, executed a gold hedge of 25,000 ounces at A$1,449 per ounce for delivery on 16 May 2014 with Credit Suisse International. Gold can be sold into the hedge or the contract may be rolled forward depending upon spot price at maturity.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set on page 4.

ROUNDING OF AMOUNTS

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

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

D I Chalmers
Director
Dated at Perth this 10th day of March 2014

Auditor's Independence Declaration

As lead auditor for the review of Alkane Resources Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
10 March 2014

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Half-year Ended 31 December 2013

	Note	Consolidated 6 Months Ended 31 Dec 2013 $'000	Consolidated 6 Months Ended 30 Jun 2013 $'000
Revenue from continuing operations			
Gold sales		-	-
Net other income and expenses	5	**11,338**	4,037
Expenses from continuing operations			
Mine operating expenses	6	**(3,132)**	-
Other expenses	6	**(3,351)**	(2,368)
Exploration and evaluation written off		**(448)**	(371)
Impairment charges			(98,526)
Finance costs		**(24)**	-
		(6,955)	(101,265)
Profit/(Loss) before income tax		**4,383**	(97,228)
Income tax (expense)/benefit	7	**(312)**	30,810
Profit/(Loss) after income tax		**4,071**	(66,418)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Changes in fair value of available for sale investments, net of tax		**63**	3,676
Total comprehensive income/(loss)		**4,134**	(62,742)
Total comprehensive income/(loss) is attributable to:			
Owners of Alkane Resources Ltd		**4,134**	(62,742)
Profit/(Loss) is attributable to:			
Owners of Alkane Resources Ltd		**4,071**	(66,418)
Basic and diluted earnings/(loss) per share attributable to the ordinary equity holders of Alkane Resources Ltd (cents per share)	18	**1.1**	(17.8)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As At 31 December 2013

	Note	Consolidated 31 December 2013 $'000	(Restated) 30 June 2013 $'000
Cash and cash equivalents		**43,326**	64,294
Receivables		**5,645**	3,680
Available for sale financial assets	8	**8,804**	41,083
Other financial assets		**2,150**	-
Total Current Assets		**59,925**	109,057
Non-Current Assets			
Property, plant and equipment	9	**81,632**	23,122
Exploration and evaluation	10	**45,698**	45,278
Deferred tax asset		**3,850**	4,102
Other financial assets		**4,921**	3,671
Total Non-Current Assets		**136,101**	76,173
Total Assets		**196,026**	185,230
Current Liabilities			
Trade and other payables		**13,642**	9,764
Current tax liabilities		**266**	-
Provisions	11	**573**	519
Total Current Liabilities		**14,481**	10,283
Non-Current Liabilities			
Provisions	11	**4,115**	1,471
Total Non-Current Liabilities		**4,115**	1,471
Total Liabilities		**18,596**	11,754
Net Assets		**177,430**	173,476
Equity			
Contributed equity	12	**192,478**	192,658
Other reserves		**63**	-
Accumulated losses		**(15,111)**	(19,182)
Total Equity		**177,430**	173,476

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For The Half-year Ended 31 December 2013

	Attributable to owners of Alkane Resources Ltd			
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 January 2013	192,156	(3,034)	47,236	236,358
Total loss for the period	-	-	(66,418)	(66,418)
Other comprehensive income for the half-year, net of tax	-	3,676	-	3,676
Total comprehensive income for the period	-	3,676	(66,418)	(62,742)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	(181)	-	-	(181)
Share based payments	41	-	-	41
Options expired, net of tax	642	(642)	-	-
Balance at 30 June 2013	192,658	-	(19,182)	173,476

	Attributable to owners of Alkane Resources Ltd			
	Contributed equity $'000	**Reserves $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2013	**192,658**	-	**(19,182)**	**173,476**
Total profit for the period	-	-	**4,071**	**4,071**
Other comprehensive income for the half-year, net of tax	-	**63**	-	**63**
Total comprehensive income for the period	-	**63**	**4,071**	**4,134**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	**(180)**	-	-	**(180)**
Balance at 31 December 2013	**192,478**	**63**	**(15,111)**	**177,430**

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

Consolidated Statement of Cash Flows

For The Half-year Ended 31 December 2013

	Note	Consolidated **31 December 2013 $'000**	30 June 2013 $'000
Cash Flows from Operating Activities			
Rent received (inclusive of goods and services tax)		**61**	65
Payments to suppliers (inclusive of goods and services tax)		**(4,782)**	(1,884)
R&D tax incentive received		**-**	1,477
Receipts from settlement of gold price hedges		**-**	6,767
Interest received		**1,391**	1,425
Dividends received		**452**	-
Other income received		**179**	-
Net cash (outflow)/inflow from operating activities	17	**(2,699)**	7,850
Cash Flows from Investing Activities			
Purchases of property, plant and equipment (including assets under construction)		**(52,680)**	(29,264)
Proceeds from sale of property, plant and equipment		**94**	4
Proceeds from sale of investments		**43,599**	13,608
Refund of security deposits		**-**	334
Payments for security deposits		**(3,400)**	
Payments for exploration expenditure		**(5,882)**	(7,951)
Net cash outflow from investing activities		**(18,269)**	(23,269)
Cash Flows from Financing Activities			
Cost of share issues		**-**	(2)
Net cash outflow from financing activities		**-**	(2)
Net decrease in cash and cash equivalents		**(20,968)**	(15,421)
Cash and cash equivalents at the beginning of the half-year		**64,294**	79,715
Cash and cash equivalents at the end of the half-year		**43,326**	64,294

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

Notes to the Financial Statements

For The Half-year Ended 31 December 2013

1. Statement of Significant Accounting Policies

Basis of preparation

This condensed consolidated interim financial report for the interim half-year reporting period ended 31 December 2013 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting.

The condensed consolidated interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the six month period ended 30 June 2013 and any public announcements made by Alkane Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

In 2013 the Group changed the annual reporting period from 31 December to 30 June, and, as a result of this change, the comparatives for the current period are for the 6 months ending 30 June 2013.

The accounting policies are consistent with those of the previous financial year, unless indicated below.

a) Principals of consolidation

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

The acquisition method of accounting is used to account for business combinations by the group. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

b) Overburden removal costs

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

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

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

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

Notes to the Financial Statements

For The Half-year Ended 31 December 2013

1. Statement of Significant Accounting Policies (continued)

c) Mine properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred by the group in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when it is probable that the additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditure is classified as part of the cost of production. Amortisation of mine development is on a units of production (UOP) basis over the economic life of each mine.

The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount, that excess, is either fully provided against or written off in the financial year in which this is determined.

d) New accounting standards and interpretations

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 half-year ended 31 December 2013. The Group has not been able to fully assess the impact of these revised standards:

- AASB 9 Financial Instruments
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

2. 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 Board of Directors.

3. Fair Value Measurement of Financial Instruments

a) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities measured and recognised at fair value on a recurring basis:

	31 Dec 2013	30 June 2013
	$'000	$'000
Assets - Level 1		
Available for sale financial assets - equity securities (note 8)	**8,804**	41,083

b) Fair value of other financial instruments

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

Notes to the Financial Statements

For The Half-year Ended 31 December 2013

4. Correction of Error

Accounting for unrecorded transactions as at 30 June 2013

During preparation of the interim financial report for the six months to December 2013, it was noted that supplier invoices totalling $2,029,000 relating to Tomingley gold project construction activities were not recorded at 30 June 2013. The amounts were included in capital commitments. The error has been corrected by restating the affected balance sheet statement line items for the prior period as follows:

	30 June 2013 $'000	Increase (Decrease) $'000	(Restated) 30 June 2013 $'000
Balance sheet (extract)			
Property, plant and equipment	**21,093**	**2,029**	**23,122**
Trade and other payables	**7,735**	**2,029**	**9,764**
Net assets	**173,476**	**-**	**173,476**

Capital commitments as disclosed in note 15 at 30 June 2013 have been reduced by $2,029,000 from $42,445,000 to $40,416,000. There was no impact on the income statement.

	Consolidated	
	6 Months Ended 31 Dec 2013 $'000	6 Months Ended 30 June 2013 $'000
5. Other Income/(Expenses)		
Other Income		
Gain from disposal of investments	**11,122**	-
Gain from disposal of fixed assets	**-**	3
Interest income	**1,128**	1,369
Gain from settlement of gold price hedges	**-**	6,767
Other income	**690**	60
Total other income	**12,940**	8,199
Other expenses		
Loss from disposal of investments	**-**	(4,162)
Loss from disposal of fixed assets	**(1,602)**	-
Total other expenses	**(1,602)**	(4,162)
Net other income	**11,338**	4,037

During the period 11,200,311 Regis Resources Limited shares were sold at an average price of $3.89 for net proceeds of $43,599,000 and a profit on sale of $11,122,000.

The loss on disposal of fixed assets includes $1,451,000 loss on disposal of power line infrastructure relating to the Tomingley Gold Operation (TGO). The terms of the Connection Agreement required that ownership of the power line infrastructure constructed by TGO up to the site connection point would revert to Essential Energy upon connection.

Notes to the Financial Statements

For The Half-year Ended 31 December 2013

	Consolidated	
	6 Months Ended 31 Dec 2013 $'000	6 Months Ended 30 Jun 2013 $'000
6. Expenses by nature		
Mine operating expenses comprises:		
Employee remuneration and benefits	**1,673**	-
Other people costs	**101**	-
Contract services and consulting services	**520**	-
Environmental monitoring	**183**	-
Property costs including rates	**166**	-
Consumables	**94**	-
Other mine operating costs	**395**	-
	3,132	-
Other expenses comprises:		
Employee remuneration and benefits	**638**	459
Share based payments	**-**	41
Directors fees and salaries expensed	**274**	228
Professional fees and consulting services	**787**	262
Public and investor relations	**235**	314
Office rent and outgoings	**101**	94
Depreciation and amortisation	**122**	89
General and administration expenses	**1,194**	881
	3,351	2,368

7. Income Tax Expense/(Benefit)

Income tax expense for the current period includes a research and development tax incentive of $2,464,000 relating to the income tax return for the year ended 30 June 2013 (June 2013: incentive of $1,477,366 relating to the income tax year ended 30 June 2012).

	Consolidated	
	31 Dec 2013 $'000	30 Jun 2013 $'000
8. Available for Sale Financial Assets Listed equity securities		
Opening balance at beginning of period	**41,083**	89,425
Disposals during the period	**(32,369)**	(17,770)
Changes in fair value	**90**	5,252
Impairment charge	**-**	(35,824)
Closing balance at end of period	**8,804**	41,083

Notes to the Financial Statements

For The Half-year Ended 31 December 2013

9. Property, Plant and Equipment

December 2013 **Cost**	**Land and buildings** **$'000**	**Plant and equipment** **$'000**	**Assets under construction** **$'000**	**Mine properties** **$'000**	**Other mining assets** **$'000**	**Total** **$'000**
Opening balance – 1 July 2013	**12,374**	**1,051**	**41,606**	**-**	**2,380**	**57,411**
Additions	**1,195**	**299**	**45,858**	**4,958**	**2,681**	**54,991**
Transfers between asset classes	**111**	**6,971**	**(7,082)**	**-**	**-**	**-**
Transfer from exploration and evaluation	**-**	**-**	**-**	**24,902**	**-**	**24,902**
Disposals	**(245)**	**(2,306)**	**-**	**-**	**-**	**(2,551)**
Closing balance – 31 December 2013	**13,435**	**6,015**	**80,382**	**29,860**	**5,061**	**134,753**

Accumulated depreciation and impairment						
Opening balance – 1 July 2013	**2,408**	**718**	**30,107**	**-**	**1,056**	**34,289**
Disposals	**-**	**(856)**	**-**	**-**	**-**	**(856)**
Transfers between asset classes	**-**	**5,200**	**(5,200)**	**-**	**-**	**-**
Transfer from exploration and evaluation	**-**	**-**	**-**	**19,566**	**-**	**19,566**
Depreciation	**4**	**118**	**-**	**-**	**-**	**122**
Closing balance – 31 December 2013	**2,412**	**5,180**	**24,907**	**19,566**	**1,056**	**53,121**
Carrying value – 31 December 2013	**11,023**	**835**	**55,475**	**10,294**	**4,005**	**81,632**

(Restated) **June 2013** **Cost**	**Land and buildings** **$'000**	**Plant and equipment** **$'000**	**Assets under construction** **$'000**	**Other mining assets** **$'000**	**Total** **$'000**
Opening balance – 1 January 2013	7,445	673	10,773	1,044	19,935
Additions	4,929	379	30,833	1,336	37,447
Disposals	-	(1)	-	-	(1)
Closing balance – 30 June 2013	12,374	1,051	41,606	2,380	57,411

Accumulated depreciation and impairment					
Opening balance – 1 January 2013	4	253	-	-	257
Impairment charge	2,403	376	30,107	1,056	33,942
Depreciation	1	89	-	-	90
Closing balance – 30 June 2013	2,408	718	30,107	1,056	34,289
Carrying value – 30 June 2013	9,966	333	9,470	1,324	23,122

Notes to the Financial Statements

For The Half-year Ended 31 December 2013

	Consolidated	
	31 Dec 2013 $'000	30 June 2013 $'000
10. Exploration and Evaluation		
Opening balance at beginning of period	**45,278**	66,556
Expenditure during the period	**6,204**	7,853
Amounts provided for or written off	**(448)**	(371)
Impairment charge		(28,760)
Transfer to mine properties	**(5,336)**	-
Closing balance end of period	**45,698**	45,278
11. Provisions		
Current Provisions		
Provision for employee benefits	**573**	519
Non-Current Provisions		
Provision for rehabilitation	**4,038**	1,336
Provision for employee benefits	**77**	135
	4,115	1,471

12. Contributed Equity

	Parent entity			
	31 December 2013		**30 June 2013**	
	Number	**$'000**	**Number**	**$'000**
Share capital				
Ordinary shares – Fully paid	**372,639,000**	**192,658**	372,639,000	192,658
Movements in ordinary share capital				
Opening balance at beginning of half-year	**372,639,000**	**192,658**	372,539,000	192,156
Share based payments	**-**	**-**	100,000	41
Transfer from option reserve	**-**	**-**	-	917
Closing balance at end of half-year	**372,639,000**	**192,658**	372,639,000	193,114
Less: Costs of issues, net of tax	**-**	**(180)**	-	(456)
Balance per Statement of Financial Position	**372,639,000**	**192,478**	372,639,000	192,658

13. Contingent Assets

The Group has entered into an agreement with the New South Wales Department of Trade and Investment Regional Infrastructure Services to receive cash grant monies for the construction of certain infrastructure relating to the Tomingley Gold Project. Subject to the Group meeting all of the requirements of the agreement, the total amount of the grant to be received will be $4,000,000 (excluding GST), of which a total of $3,500,000 has been received. The remaining $500,000 is expected to be received by 30 June 2014.

14. Related Parties

During the period fees amounting to $169,000 (June 2013: $164,000) were paid to Mineral Administration Services (MAS) in which the joint company secretaries of the Group Mr LA Colless and Ms K E Brown have substantial financial interests. MAS provides administration, accounting and company secretarial services to the Group.

Notes to the Financial Statements

For The Half-year Ended 31 December 2013

15. Commitments

Mineral tenement leases

In order to maintain current rights of tenure to mining tenements, the Group will be required to outlay in 2014 amounts of approximately $1,446,000 (2013: $1,149,000) in respect of tenement lease rentals and exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in the normal course of operations.

Capital Commitments

At balance date the Group the Tomingley Gold Project was still in construction with the majority of construction activities completed. Commitments for acquisition and construction of property, plant and equipment not recognised as a liability in the financial statements are as follow:

	Consolidated	
	31 Dec 2013 $'000	(Restated) 30 June 2013 $'000
Within one year	**17,201**	40,416

Lease commitments

Lease payments to which the Group are committed to in the next 12 months are $88,000 (June 2013: $185,000).

16. Subsequent Events

Production commenced at the Tomingley Gold Operation early in 2014 with the first gold bar poured on 14 February.

Subsequent to balance date, the Company, on behalf of Tomingley Gold Operations Pty Ltd, has executed a gold hedge of 25,000 ounces at A$1,449 per ounce for delivery on 16 May 2014 with Credit Suisse International.

Other than as mentioned above, no matter or circumstance has arisen since 31 December 2013 that has or may significantly affect the operations, the results, or the state of affairs of the Group.

17. Reconciliation of Net Cash Inflow/(Outlow) From Operating Activities to Operating Profit/(Loss) After Income Tax

	Consolidated	
	6 Months Ended 31 December 2013 $'000	6 Months Ended 30 June 2013 $'000
Operating Profit/(Loss)	**4,071**	(66,418)
Non-cash items in operating profit/(loss):		
Depreciation and amortisation	**122**	89
Share-based payments	**-**	41
(Gains)/Loss recognised from disposal of investments	**(11,122)**	4,162
Loss/(Gains) recognised from disposal of assets	**1,602**	(3)
Exploration costs provided for or written off	**448**	371
Impairment charges	**-**	98,526
Changes in net assets and liabilities:		
Decrease in trade and other receivables	**995**	14
Increase in trade and other payables	**855**	198
Increase in provisions	**18**	203
Decrease/(Increase) in deferred tax asset	**312**	(29,333)
Net cash (outflow)/inflow from operating activities	**(2,699)**	7,850

The Company has no credit standby or financing facilities in place other than as disclosed in the statement of financial position. There were no significant non-cash investing and financing activities during the half-year.

Notes to the Financial Statements

For The Half-year Ended 31 December 2013

	6 Months Ended 31 Dec 2013 $'000	6 Months Ended 30 June 2013 $'000
18. Earnings per Share		
Basic earnings per share		
(a) Profit/(Loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**4,071**	(66,418)
	2013 Number	2013 Number
(b) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**372,639,000**	372,556,127

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

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 5 to 16 are in accordance with the Corporations Act 2001 including:

  i) giving a true and fair view of the financial position of the Group as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

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

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

D I Chalmers
Director
Perth
10th day of March 2014

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alkane Resources Limited (the Company), which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Alkane Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alkane Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
10 March 2014