ALKANE RESOURCES LTD
ACN 000 689 216

FINANCIAL REPORT
FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2013

Directors' Report

The 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 six month period ended 30 June 2013.

DIRECTORS

The following persons were Directors of Alkane Resources Ltd during the whole of the period 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 period 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 period.

RESULTS

The net amount of consolidated loss of the Group for the period after income tax was $66,418,048 (2012: profit $66,534,486). The result included impairment charges of $68,986,452, comprising a $43,891,426 impairment in relation to the Group's gold assets and an impairment of the Group's available-for-sale financial assets of $25,077,026.

DIVIDENDS

No dividends have been paid by the Group during the period ended 30 June 2013, 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.

Tomingley Gold Project (also referred to as the TGP)

The TGP 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 380,000 ounces will be recovered at the TGP over the project's seven-year life, averaging approximately 55,000 ounces per annum.

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 and are well advanced. Site earthworks and concrete works are nearing completion and steel construction is in progress. Commencement of the Newell Highway underpass is subject to final design approval by NSW Roads and Maritime Services.

Significant rainfall was encountered during June which could impact the timetable and budget. At this stage any potential impact on the overall timetable and budget is not clear but the current schedule has plant commissioning early in 2014.

Construction capital costs for the project are expected to be in line with the budget of $116.0 million, including contingencies. At the end of the June $40.5 million had been expended on development and capital costs, including $6.8 million for EPCM expenditure.

The mining and processing team continues to focus on the organisation of safe and efficient operating practices for the mine. A tender process is underway for the mining pre-strip and mining equipment hire contracts. Further optimisation of the mine schedule is in progress to take into account the lower gold prices.

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. Results from all drill holes for the drilling program at Caloma Two have been received. Geological and resource modelling has commenced and a resource estimate is anticipated to be completed by October 2013. The Caloma Two deposit is located immediately to the south of the planned Caloma open pit.

Directors' Report

REVIEW OF OPERATIONS (continued)

Dubbo Zirconia Project (also referred to as the DZP)

The DZP is located in the Central West Region of New South Wales, 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 (DPP) at ANSTO continued with the focus on further optimising the process and water recycling. Current programs include improving rare earth recoveries and the development of zirconia products for specific end use applications for marketing purposes.

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.

The DZP has been classified by the NSW Department of Planning and Infrastructure (DP&I) as a State Significant Project. The Environmental Impact Statement (EIS) was lodged with the NSW Department of Planning and Infrastructure on 28 June 2013, and will be assessed against the requirements issued by the Director General of DP&I prior to public exhibition as part of the approvals process.

A Joint Venture Framework Agreement was executed in July 2013 with Treibacher Industrie AG replacing the existing Memorandum of Understanding (MoU). The Joint Venture will produce and market ferro-niobiun (FeNb) using all of the niobium concentrate from the DZP.

Work with the Group’s MoU partner Shin-Etsu Chemical Co (Shin Etsu), is focussing on improving recoveries of individual rare earth elements from the concentrates supplied by the DPP. Conversion of this MoU into a commercial toll treatment and off-take agreement would provide the full suite of separated rare earth oxides. Marketing effort to secure off take agreements in Europe and Japan for product not required by Shin-Etsu has been further advanced.

Recent marketing trips to Japan, China and Europe have confirmed significant interest in the DZP zirconium output for the key volume markets targeted by DZP zirconia. Until now the majority of world zirconium products have relied on downstream processing of zircon to produce either fused zirconia or chemical zirconia, with China supplying ~75% of all products. In all cases, there is a very good appreciation of the strategic significance of the DZP which is independent of the zircon supply chain and traditional downstream suppliers. This interest is being supported by distribution of samples from the DPP for testing by potential customers. Successful testing is expected to provide opportunities for additional MOUs and letters of intent with leading companies to purchase DZP zirconium products.

The MoU with the European manufacturing and trading company that specialises in advanced ceramic materials has been extended to 30 June 2014. This MoU is the precursor to a joint venture to market zirconium products in Europe, North America and other defined markets. The MoU with Mintech Chemical Industries Pty Ltd to produce and market zirconium oxychloride (ZOC) has been allowed to lapse in keeping with AZL’s revised strategy not to target the ZOC market.

Zircon demand and prices are showing signs of recovery, and flow on to the downstream zirconium industry is anticipated through the second half of 2013.

The financing program led by Sumitomo Mitsui Banking Corporation (SMBC) and Credit Suisse (CS) is advancing with a high level review of the technical and financial components of the project to assist with definition of potential strategic partners; potential sources of ECA (Export Credit Agency) funding; and the commercial debt carrying capacity.

Other exploration projects

The Group has continued exploration and evaluation activities on its other New South Wales projects. In particular reconnaissance and follow up drilling programs have been conducted within the Bodangora and Cudal projects.

Project review and target evaluations have continued at Wellington, Cudal, Calula and Peak Hill.

Directors' Report

REVIEW OF OPERATIONS (continued)

Corporate

As a result of materially lower gold prices and in accordance with Australian accounting standards, non-cash impairment charges of $43.9M net of taxes are to be recorded as impairments of exploration, evaluation and mine development assets relating to the Group's gold interests, including the Tomingley Gold Project.

At current gold prices the TGP will still generate strong operating cash flows from commissioning in early 2014. The Company is of the firm belief that the operation contains significant resource/mine life upside not reflected in this valuation which is based on the existing life-of-mine and which will be unlocked through additional drilling and resource identification (for example Caloma Two).

An additional $25.1M charge relating to impairment to fair value of the Group's investment in Regis Resources Limited (RRL) will also be recorded in accordance with Australian accounting standards. RRL, which closed at $2.89 on the last trading day of the reporting period, is currently trading significantly higher.

During the period, the Company took advantage of a brief window of price strength to sell 3,284,689 RRL shares for net proceeds of $13.6M.

While the Company is writing down the carrying value of these assets, there are other assets within the Alkane portfolio, such as the DZP, that the Company believes have a market value much greater than their current carrying value.

The Company has effected a change of financial year from a January-December year to July-June in order to synchronise the Group's financial reporting and taxation periods thus leading to overall cost savings and aligning the Group with the majority of its Australian peers as the Tomingley Gold Operation and Dubbo Zirconia Project move closer to production.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In February 2013, the Group was advised by the NSW Department of Trade and Investment, Division of Resources and Energy that the Mining Lease for the Tomingley Gold Project was approved. Construction activities commenced shortly thereafter and continued throughout the period.

During the period, the Group sold 3,284,689 shares in Regis Resources Limited for proceeds of $13,577,739 net of transaction fees, resulting in a loss on sale of $4,162,491.

The state of affairs of the Group, were not affected by any other significant changes during the period.

EVENTS SUBSEQUENT TO BALANCE DATE

Since balance date the Group has sold 9,215,311 shares in Regis Resources Limited for proceeds of $35,361,318 net of transaction fees.

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect

(a) the Group's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS

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

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

ENVIRONMENTAL REGULATION

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

Mining and construction activities

During the period, there were no breaches of the requirements relating to certain environmental restrictions at the Group's mine site at Peak Hill or the construction site at the Tomingley Gold Project. Management is working with the NSW and Department of Primary Industries and the Office of Environment and Heritage to ensure compliance with all licence conditions. The Group employs a full time environmental manager to oversee the Group's environmental activities.

Directors' Report

ENVIRONMENTAL REGULATION (continued)
Exploration activities
The Group 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.

INFORMATION ON 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 is a consultant mining engineer with over 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 current chairman MICA (Mineral Industry Consultants Association).

Mr Dunlop is non-executive chairman of Alliance Resources Limited (appointed 30 November 1994) and a non-executive director of Copper Strike Limited (appointed 9 November 2009). During the last three years he was also a non-executive director of Drummond Gold Limited (1 August 2008 – 15 July 2010) and a director of Gippsland Limited (1 July 2005 – 12 July 2013).

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 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 and mining through feasibility and development to the production phase.

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

Mr Chalmers is a member of the Nomination Committee.

Ian Jeffrey Gandel - Non-Executive Director
LLB, BEc, FCPA, FAICD
Appointed director 24 July 2006

Mr Gandel is a successful Melbourne 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 New South Wales. 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.

Directors' Report

INFORMATION ON DIRECTORS (continued)
Anthony Dean Lethlean - Non-Executive Director
BAppSc (Geology)
Appointed director 30 May 2002

Mr Lethlean is a geologist with over 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers 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 Limited (appointed 15 October 2003).

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

JOINT COMPANY SECRETARIES
Karen E V Brown
BEc (hons)
Ms Brown is a director and company secretary of Mineral Administration Services Pty Ltd which provides company secretarial, corporate administration and accounting services to the Company. She has considerable experience in corporate administration of listed companies over a period of some 26 years, primarily in the mineral exploration industry. She is currently company secretary of publicly listed Excelsior Gold Limited and General Mining Corporation Limited.

Lindsay Arthur Colless
CA, JP (NSW), FAICD
Mr Colless is a member of the Institute of Chartered Accountants in Australia with over 15 years' experience in the profession and a further 35 years' experience in commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director. Mr Colless is also a director of Mineral Administration Services Pty Ltd.

DIRECTORS' MEETINGS
The following sets out the number of meetings of the Company's Directors (including meetings of Board committees) held during the period ended 30 June 2013 and the number of meetings attended by each director.

Director	Meetings of the Board of Directors		Meetings of Committees: Audit		Nomination		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J S F Dunlop	6	6	1	1	0	0	1	1
D I Chalmers	6	6	n/a	n/a	0	0	n/a	n/a
A D Lethlean	6	6	1	1	0	0	1	1
I J Gandel	6	6	1	1	0	0	1	1

SHARES UNDER OPTION
There were no unissued ordinary shares of Alkane Resources Ltd under option at the date of this report. Options over 4,000,000 unissued ordinary shares expired during the period. No options over unissued ordinary shares were exercised during the period.

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

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

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

Directors' Report

REMUNERATION REPORT (continued)

A. Review of remuneration arrangements

The Group is in the process of a transformation with the Tomingley Gold Project moving into production and the Dubbo Zirconia Project progressing from feasibility into development. As a result, the Board recognises the need to review and update the remuneration arrangements of the Group to ensure continuing alignment with typical market practice, and to ensure that the remuneration framework best supports the strategic direction of the business and its future needs.

Shortly after year-end, the Board engaged external advisors PwC to undertake a comprehensive review of the Group's key management personnel remuneration practices, including executive and non-executive Directors. It is anticipated that this review will result in significant changes to the Group's remuneration framework, with the new remuneration structure to be implemented in the 2014 financial year.

The key initiatives under this review, taking into account the transformation the Group is undertaking, are:

- developing an overarching key management personnel remuneration framework to formalise reward structures and to establish a framework to guide remuneration practices going forward;
- design of a new short-term incentive ('STI') plan to drive the collective efforts of the workforce in realising the short-term business strategy; and
- design of a new equity-based long-term incentive ('LTI') plan for executives to encourage long-term sustainable performance.

Overview of the Group's approach to Executive remuneration in the 2014 financial year and beyond

Taking into consideration the independent advice obtained from PwC, the Board is currently in the process of finalising a new executive remuneration structure to be implemented in the 2014 financial year.

The objective of the Group's executive reward structure is to ensure reward for performance is competitive and appropriate for the results delivered. The new structure will align executive reward with achievement of key strategic objectives and the creation of value for shareholders, and will reflect current market practice for delivery of reward. The Board aims to ensure that executive reward practices are aligned with the following key criteria for good reward governance practices to ensure that executive remuneration is:

- competitive and reasonable, enabling the Group to attract and retain key talent;
- aligned to the Group's strategic and business objectives, and the creation of shareholder value;
- transparent; and
- aids in capital management needs.

Fixed remuneration

During the 2013 financial year, benchmarking of executives' fixed remuneration was conducted against a custom peer group of ASX-listed resources companies to ensure remuneration levels set for financial year 2014 meet the objectives of the Group and are aligned to broader market trends within the industries it operates for comparable roles. It is the Group's policy to position fixed remuneration at the median of the relevant peer group. The outcome of the benchmarking exercise showed that executives' fixed remuneration levels were largely positioned around the median and as such, no increases have been made to fixed remuneration for financial year 2014.

Short-term incentives

To align with typical market practice and to provide a competitive total remuneration package, the Board has previously implemented a STI plan to motivate and reward executives for the achievement of the short-term business strategy. The existing plan will be updated as part of the review of the Group's overall remuneration arrangements.

Quantum offered under the STI plan will be expressed as a set percentage of base salary, with executives' performance assessed against metrics contained within a weighted scorecard over a 12-month period. Metrics within the weighted scorecard will be cascaded from the business strategy and the selected metrics will be relevant to the participant's level and role within the organisation. The details of the new STI structure and the specific metrics (and respective weightings) to be included in executives' weighted scorecards are yet to be finalised, however the Group will disclose details of the final Board-approved STI plan structure, the metrics used to assess performance, and the actual performance achieved to trigger payouts to executives in the remuneration report for the 2014 financial year on a look-back basis to enable shareholders to assess the reasonableness of any payouts.

Directors' Report

REMUNERATION REPORT (continued)

Short-term incentives (continued)

The Board is cognisant of the need to conserve cash for business operations and further exploration activities. As such, STI payouts will be delivered in the form of Performance Rights. Performance Rights granted will vest subject to the satisfaction of a service period such that the rights will lapse where the participant fails to remain employed throughout the service period and as at the date of vesting. The Board believes that the deferred vesting of Performance Rights will aid in the retention of employees during this critical stage of growth.

Long-term incentives

The Board has also decided to review the approach to the delivery of equity to executives. The details of the new LTI program are being finalised by the Board, however it is anticipated that LTI grants will be made to executives on an annual basis to align with typical market practice, and to align executives interests with those of shareholders and the generation of long-term sustainable value.

The value of grants made under the plan will be made with reference to a set percentage of base salary, with executives' performance assessed against pre-determined performance hurdles over a three-year period. The performance hurdles will be a combination of market (i.e. share price driven) and non-market (i.e. internal) hurdles.

Overview of the Group's approach to non-executive Director remuneration in the 2014 financial year and beyond

Non-executive Director fees will continue to be benchmarked to determine the competitiveness of current fee arrangements. The Board will use the results of the benchmarking exercise to determine the quantum and structure of non-executive Director fees going forward.

Where non-executive Director fees fall below market level, the Board may elect to bring fees in line with market through awards of equity, rather than through an increase in cash fees. While it is important to provide competitive fees to ensure that high calibre individuals with the requisite expertise and experience can be attracted to the Board, the Board remains cognisant of the need to conserve cash for business operations.

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

The objective of the Group'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 and alignment of executive compensation
- Transparency
- Capital management

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

The Remuneration Committee comprises of a minimum of three members and shall be chaired by an independent Director. Currently the Committee comprises Mr Dunlop, Mr Lethlean and Mr Gandel.

The function of the Committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations to the Board on remuneration packages of Directors and senior executives, and employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Directors' Report

REMUNERATION REPORT (continued)

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

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.

Non-executive Directors' fees

Directors' fees are determined within an aggregate Directors' fee pool limit (currently $700,000 per annum), which is periodically recommended for approval by shareholders. This amount is separate from any specific consulting tasks the Directors may take on for the Group.

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

C. Details of remuneration (audited)

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 - Joint Company Secretary
- K E Brown - Joint Company Secretary
- M Ball - Chief Financial Officer

Director and Key Management Personnel Remuneration

2013 (6 Months) Name	Short-term employee benefits: Cash salary and fees $	Post-employment benefits: Superannuation $	Share-based payments: Shares $	Total $
Executive Director				
D I Chalmers	**180,000**	**16,200**	**41,500**	**237,700**
Non-Executive Directors				
J S F Dunlop	**63,073**	**5,677**	**-**	**68,750**
I J Gandel	**42,500**	**-**	**-**	**42,500**
A D Lethlean	**43,750**	**-**	**-**	**43,750**
Sub-Total Directors	**329,323**	**21,877**	**41,500**	**392,700**
Other Key Management Personnel				
L A Colless and K E Brown	**163,544** [a]	**-**	**-**	**163,544** [a]
M Ball	**141,785**	**11,250**	**-**	**153,035**
Total Key Management Personnel Compensation	**634,652**	**33,127**	**41,500**	**709,279**

[a] Corporate administration, accounting & company secretarial fees paid to Mineral Administration Services Pty Ltd, a Company with which Mr Colless and Ms Brown are associated.

No long term or termination benefits were paid in the period.

Directors' Report

REMUNERATION REPORT (continued)
C. Details of remuneration (audited) (continued)

2012 (12 Months) Name	Short-term employee benefits: Cash salary and fees $	Post-employment benefits: Superannuation $	Share-based payments: Shares $	Total $
Executive Director				
D I Chalmers	360,000	32,400	-	392,400
Non-Executive Directors				
J S F Dunlop	99,905	6,595	-	106,500
I J Gandel	75,000	-	-	75,000
A D Lethlean	77,500	-	-	77,500
Sub-Total Directors	612,405	38,995	-	651,400
Other Key Management Personnel				
L A Colless and K E Brown	276,704 [a]	-	48,300	325,004 [a]
M Ball	44,557	4,010	-	48,567
Total Key Management Personnel Compensation	933,666	43,005	48,300	1,024,972

[a] Corporate administration, accounting & company secretarial fees paid to Mineral Administration Services Pty Ltd, a company with which Mr Colless and Mis Brown are associated.

No long term or termination benefits were paid in the period.

D. Service agreements (audited)
An engagement contract with the Managing Director and formal written consultancy agreements with companies of which key management personnel have a substantial financial interest are in existence and are detailed below.

D I Chalmers
Term of agreement- 2 years commencing 1 July 2013

Agreement
Engagement as Managing Director at a salary of $360,000 per annum plus 9% statutory superannuation.

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 (whichever is greater) 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.

L A Colless and K E Brown
Term of agreement – on-going commencing July 2006

Agreement
Consulting fees are payable by the Company and its subsidiaries to Mineral Administration Services Pty Limited, a company in which Mr Colless and Ms 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.

Directors' Report

REMUNERATION REPORT (continued)
D. Service agreements (audited) (continued)

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
Salary payable, inclusive of superannuation, of $125,000 per annum plus $12,500 for committee membership ($5,000 per annum for membership of specified Board committee and $7,500 for chairmanship of committee) plus per diem of $1,500 per day up to 4 days per month averaged over a 12 month rolling period for consulting services over and above normal director duties. There were no per diem amounts paid during the period.

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 $75,000 per annum plus $10,000 per annum for membership of specified Board committees ($5,000 per annum for each committee) plus per diem of $1,500 per day up to 4 days per month for consulting services over and above normal director duties. There were no per diem amounts paid during the period.

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 $75,000 per annum plus $12,500 for committee memberships ($5,000 per annum for membership of specified Board committee and $7,500 for chairmanship of committee) plus per diem of $1,500 per day up to 4 days per month for consulting services over and above normal director duties. There were no per diem amounts paid during the period.

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

E. Share-based payments (audited)
Performance Rights Plan
On 17 May 2011, shareholders approved the Alkane Resources Performance Rights Plan. This employee incentive scheme was designed to assist in the recruitment, reward, retention and motivation of Eligible Employees. Non-executive Directors are excluded from participation in the Plan.

The Board may from time to time in its absolute discretion decide that an Eligible Employee is eligible to participate in the Plan and may invite them to apply for Performance Rights. Each Performance Right will represent a right to acquire one Share, subject to the terms of the Plan.

Each invitation will set out, amongst other things, the number of Performance Rights the Eligible Employee is invited to apply for, the performance criteria to which those Performance Rights will be subject, and the period of time over which the Performance Criteria must be satisfied (Performance Period), before the Performance Rights can vest.

A Performance Right granted to a Participant under the Plan is granted for no consideration. If Performance Rights vest under the Plan, no amount is payable by a Participant in respect of those Performance Rights vesting, or the subsequent issue of shares in respect of them.

A Participant does not have a legal or beneficial interest in any Share by virtue of acquiring or holding a Performance Right. A Participant's rights under a Performance Right are purely contractual and personal. In particular, a Participant is not entitled to participate in or receive any dividends or other shareholder benefits until the Performance Right has vested and a share has been issued to the Participant.

Directors' Report

REMUNERATION REPORT (continued)

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

A Performance Right granted to a Participant will vest:

- at the end of the Performance Period upon the Board giving written notice to the relevant Participant of the number of Performance Rights in respect of which the Performance Criteria were satisfied over the Performance Period; or
- if the Board allows early vesting as a result of an event such as a takeover bid or scheme of arrangement.

A Performance Right granted will lapse on the earliest to occur of:

- the end of the Performance Period if the Performance Criteria relating to the Performance Right have not been satisfied;
- the Participant purporting to transfer a Performance Right or grant a security interest in or over, or otherwise purporting to dispose of or deal with, a Performance Right or interest in it (except where the Board has consented to a transfer or the Performance Right is transferred by force of law upon death to the Participant's legal personal representative or upon bankruptcy to the Participant's trustee in bankruptcy);
- the Participant ceasing employment (except in certain circumstances classified as a Qualifying Reason);
- if in the opinion of the Board, the Participant has acted fraudulently or dishonestly or in breach of his or her obligations to the Company or any of its subsidiaries, and the Board determining that the Performance Rights held by the Participant should lapse;
- an event such as a takeover bid or scheme of arrangement occurring (in certain circumstances subject to the Board's discretion); and
- the date that is seven years after the grant of the Performance Right.

Although the Board has discretion to determine the number of Performance Rights granted to an Eligible Employee, broadly, the maximum number of securities which may be issued under the Plan (and any other employee share scheme operated by the Company) in a 5 year period is limited to 5% of the issued Shares of the Company (calculated at the date of the invitation under the Plan), subject to a range of exclusions, including, for example, securities issued under a disclosure document or issues that do not require disclosure under Chapter 6D of the Corporations Act because of section 708 of the Corporations Act.

No Performance Rights have been issued under the Plan during the year or to the date of this report.

Shares granted during the year

100,000 shares were issued to the Managing Directors during the year. The issue of shares related to the achievement of key performance indicators in relation to prior years and was approved by shareholders at the previous Annual General Meeting.

Options granted during the year

No options were granted to the Directors or to employees during the year.

INSURANCE OF OFFICERS

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

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

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

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

Directors' Report

CORPORATE GOVERNANCE

Alkane Resources Ltd and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance. The Board has established a set of policies and procedures for the purpose of managing corporate governance and continues to review the framework and practices to ensure they meet the interests of shareholders. The Group's policies comply with the ASX Corporate Governance Principles and Recommendations.

The Group's detailed corporate governance policy statement is contained in the annual report to shareholders and can be viewed on the web site at www.alkane.com.au.

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES
Auditor's 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 30 June 2013 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Frank Vrachas (Lead Auditor)
Rothsay Chartered Accountants"
Dated 30 August 2013

Non-Audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important. Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the period are set out in note 19.

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 did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Signed in accordance with a resolution of the Directors.

D I Chalmers
Director
Dated at Perth this 30th day of August 2013

Consolidated Statement of Comprehensive Income

For The Period Ended 30 June 2013

	Note	Consolidated **6 Months Ended 30 June 2013 $'000**	 12 Months Ended 31 December 2012 $'000
Revenue from continuing operations		**-**	-
Other income and expenses	5	**4,037**	96,716
Expenses from continuing operations			
Office rent and outgoings		**(94)**	(173)
Share registry and filing fees		**(26)**	(167)
Directors' fees and salaries expensed		**(228)**	(461)
Professional fees and consulting services		**(448)**	(1,493)
Employee remuneration and benefits		**(459)**	(506)
Share based payments		**(41)**	(248)
General and administration expenses		**(905)**	(778)
Depreciation		**(89)**	(78)
Peak Hill mine site maintenance and rehabilitation		**(78)**	(131)
Exploration expenditure provided for or written off		**(371)**	(1,325)
Impairment charges	7	**(98,526)**	-
		(101,265)	(5,360)
(Loss)/Profit before income tax		**(97,228)**	91,356
Income tax benefit/(expense)	6	**30,810**	(24,821)
(Loss)/Profit for the period after income tax		**(66,418)**	66,535
Other comprehensive (loss)/income			
Changes in fair value of available for sale investments, net of tax		**3,676**	(3,676)
Total comprehensive (loss)/income for the period		**(62,742)**	62,859
Comprehensive (loss)/income is attributable to:			
Owners of Alkane Resources Ltd		**(62,742)**	62,859
Non-controlling interests		**-**	-
		(62,742)	62,787
(Loss)/Profit is attributable to:			
Owners of Alkane Resources Ltd		**(66,418)**	66,859
Non-controlling interests		**-**	-
		(66,418)	66,535
		Cents	Cents
(Loss)/Earnings per share for (loss)/profit attributable to the ordinary equity holders of the Company	27	**(17.8)**	19.3

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

Consolidated Statement of Financial Position

As At 30 June 2013

	Note	Consolidated 30 June 2013 $'000	31 December 2012 $'000
Current Assets			
Cash and cash equivalents	8	**64,294**	79,715
Receivables	9	**3,680**	1,431
Available for sale financial assets	10	**41,083**	89,425
Total Current Assets		**109,057**	170,571
Non-Current Assets			
Property, plant and equipment	11	**21,093**	19,678
Exploration and evaluation	12	**45,278**	66,556
Deferred tax asset	6	**4,102**	-
Other financial assets	13	**3,671**	4,005
Total Non-Current Assets		**74,144**	90,239
Total Assets		**183,201**	260,810
Current Liabilities			
Trade and other payables	14	**7,735**	525
Provisions	15	**1,855**	216
Total Current Liabilities		**9,590**	741
Non-Current Liabilities			
Deferred tax liability	6	**-**	23,476
Provisions	15	**135**	235
Total Non-Current Liabilities		**135**	23,711
Total Liabilities		**9,725**	24,452
Net Assets		**173,476**	236,358
Equity			
Contributed equity	16	**192,658**	192,156
Other reserves	17	**-**	(3,034)
Retained earnings	17	**(19,182)**	47,236
Total Equity		**173,476**	236,358

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

Consolidated Statement of Changes in Equity

For The Period Ended 30 June 2013

	Note	Attributable to owners of Alkane Resources Ltd Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2012		82,002	-	(19,299)	62,703
Total profit for the period		-	-	66,535	66,535
Other comprehensive loss for the period, net of tax		-	(3,676)	-	(3,676)
Contributions of equity, net of transaction costs and tax	16	110,154	-	-	110,154
Options issued, net of tax	17	-	642	-	642
Balance at 31 December 2012		192,156	(3,034)	47,236	236,358

	Note	**Attributable to owners of Alkane Resources Ltd** **Contributed equity** **$'000**	**Reserves** **$'000**	**Retained earnings** **$'000**	**Total equity** **$'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 profit for the period, net of tax		**-**	**3,676**	**-**	**3,676**
Contributions of equity, net of transaction costs and tax	16	**(181)**	**-**	**-**	**(181)**
Share based payments	16	**41**	**-**	**-**	**41**
Options expired, net of tax	16,17	**642**	**(642)**	**-**	**-**
Balance at 30 June 2013		**192,658**	**-**	**(19,182)**	**173,476**

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

Consolidated Statement of Cash Flows
For The Period Ended 30 June 2013

	Note	Consolidated **6 months ended 30 June 2013 $'000**	 12 months ended 31 Dec 2012 $'000
Cash Flows from Operating Activities			
Rent received (inclusive of goods and services tax)		**65**	42
Payments to suppliers (inclusive of goods and services tax)		**(1,884)**	(2,544)
R&D tax refund received		**1,477**	1,423
Receipts from settlement of gold price hedges		**6,767**	-
Interest received		**1,425**	3,320
Net cash inflow/(outflow) from operating activities	25	**7,850**	2,241
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(10,517)**	(7,387)
Proceeds from sale of property, plant and equipment		**4**	-
Proceeds from sale of investments		**13,608**	-
Refund of security deposits		**334**	22
Payments for security deposits		**-**	(3,629)
Grant received		**-**	550
Cash held by subsidiary disposed of		**-**	(6)
Payments for exploration expenditure		**(7,951)**	(10,901)
Payments for development expenditure		**(18,747)**	(12,998)
Net cash outflow from investing activities		**(23,269)**	(34,349)
Cash Flows from Financing Activities			
Proceeds from issue of shares and options		**-**	106,924
Cost of share issues		**(2)**	(4,906)
Net cash inflow from financing activities		**(2)**	102,018
Net increase in cash and cash equivalents		**(15,421)**	69,910
Cash and cash equivalents at the beginning of the financial period		**79,715**	9,805
Cash and cash equivalents at the end of the financial period	8	**64,294**	79,715
Non-cash investing and financing activities	26	**-**	-

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

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the consolidated financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report is presented in Australian Dollars, which is the Group's presentation currency.

(i) *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 financial report. Amounts in the 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.

(ii) *Compliance with IFRSs*

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

(iii) *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, 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.

(iv) *Comparative figures*

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

(v) *Critical accounting estimates and judgements*

The preparation of financial reports requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report, are disclosed in note 4.

b) Consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alkane Resources Ltd ("Company" or "Parent") as at 30 June 2013 and the results of all controlled entities for the 6 month period then ended. Alkane Resources Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Significant Accounting Policies (Continued)

b) Consolidation (Continued)

(ii) Joint ventures

The consolidated entity's proportionate interests in the assets, liabilities and expenses of a joint venture in which it participates are 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.

c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

The Group has identified one reportable segment, being exploration and development activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, for the Group's mineral assets in this geographic location. There has been no change in the number of reportable segments presented in the prior period.

Upon commencements of operations at the Tomingley gold project, the Group will report a second segment, being the mining of precious metals.

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.

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.

d) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

e) 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.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities. The Group bases its estimates on historical results, taking into consideration the type of transaction and the specifics of each arrangement.

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

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Significant Accounting Policies (Continued)

f) 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 has complied 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.

Grants relating to the purchase of assets are netted off against the cost of the asset and recognised in profit and loss over the expected lives of the related assets.

g) Income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 enacted by the end of the reporting period 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 is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively

Alkane Resources Ltd and its wholly-owned controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax incentives

Companies within the Group may be entitled to claim special tax deductions for eligible activities under the Research and Development Tax Incentive regime. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Significant Accounting Policies (Continued)

h) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

i) Impairment of Non-Current Assets

At each balance sheet date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

The recoverable amount of a CGU is the higher of its fair value less costs to sell ("FVLCS") and its value in use ("VIU"). FVLCS is the best estimate of the amount obtainable from the sale of a CGU in an arm's length transaction between knowledgeable willing parties, less the costs of disposal. This estimate is determined on the basis of available market information taking into account specific circumstances.

VIU is the present value of the future cash flows expected to be derived from the CGU or group of CGU's. Cash flow projections are based on economic and regulatory assumptions and forecast trading conditions prepared by management.

j) Share based payments

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

k) 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).

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Significant Accounting Policies (Continued)

l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated 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.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are presented on a gross basis. 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.

m) 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.

n) 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. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable 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.

o) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

iii) Held-to-maturity investments

Held-to-Maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Accounting Policies (Continued)

o) Investments and other financial assets (Continued)

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are no longer recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in fair value of the financial assets at fair value through profit or loss category are presented in the profit and loss in the period in which they arise.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

i) *Assets classified as available for sale*

If there is objective evidence of impairment for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit and loss in a subsequent period.

p) Derivative financial instruments

Derivative financial instruments are used by the Group to protect against the Group's Australian dollar gold price risk exposures. Derivatives are initially recognised at fair value at the date the derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives that meet the purchase/sale exemption because physical goods will be delivered into the contract will be accounted for as sale contracts with revenue recognised once the goods has been delivered or the contracts are rolled over.

q) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit or loss during the reporting period in which they are incurred.

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Accounting Policies (Continued)

q) Property, plant and equipment (Continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

- Buildings	10 years
- Office furniture	4 years
- Office equipment	3.3 years
- Motor vehicles	5 years
- Computer software	2.5 years
- Rehabilitation asset	Units of production

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying values. These are included in the profit and loss.

r) 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 period 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 its recoverable amount, the value of the area of interest is written down to the recoverable amount.

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 Group 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 Group 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 period in which the decision to abandon is made.t)

s) Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Accounting Policies (Continued)

t) Provisions

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

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

u) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the end of the period in which the employees render the related service in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leaves and accumulating sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

(ii) Other long term employee benefit obligations

The liability for long service leave and annual leave not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) 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 Group in respect to any superannuation scheme.

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 profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Accounting Policies (Continued)

x) New accounting standards and interpretations

The Group has adopted the following new and amended Australian Accounting Standards and interpretations as of 1 January 2013:

Affected Standard	Nature of Change to Accounting Policy	Application *
AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	Amends some of the requirements in AASB 1049 to improve that standard at an operational level.	1 July 2012
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	Requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently, and requires tax associated with items presented before tax to be shown separately for each of the two groups of items.	1 July 2012
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	Amends AASB 112 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in AASB 140 Investment Property will, normally, be through sale.	1 Jan 2012
AASB 2011-3 and AASB 2012-8 Amendments to Australian Accounting Standards – Orderly adoption of changes to the ABS GFS manual and related amendments	This standard makes amendments to AASB 1049 Whole of Government and General Sector Financial Reporting to amend the definition of the ABS GFS manual, provide relief from adopting the latest version of the manual and require related disclosures.	1 July 2012

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

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Accounting Policies (Continued)

x) New accounting standards and interpretations (continued)

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 30 June 2013. The Group has not been able to fully assess the impact of these revised standards:

- AASB 119 Employee Benefits
- AASB 127 Separate Financial Statements
- AASB 128 Investments in Associates and Joint Ventures
- AASB 9 Financial Instruments
- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 2010-10 Amendments to Australian Accounting Standards –Removal of Fixed Dates for First Time Adopters
- AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements
- AASB 2011-6 Amendments to Australian Accounting Standards – Extending relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements
- AASB 2011-11Amendments to AASB 119 arising from Reduced Disclosure Requirements
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-02 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.
- Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- AASB 2012-1 Amendments to Australian Accounting Standards – Fair value Measurement – Reduced Disclosure Requirements
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures: Offsetting Financial Assets and Financial Liabilities
- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2012-4 Amendments to Australian Accounting Standards – Government Loans
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements Cycle
- AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures
- AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition guidance and other amendments
- AASB 2012 -11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments

y) Parent entity financial information policy

The financial information for the parent entity, disclosed in note 29 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of the Company, and assessed at each reporting date for any indications of impairment.

(ii) Tax consolidation legislation

Alkane Resources Ltd and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

Notes to the Financial Statements

For The Period Ended 30 June 2013

1. Statement of Accounting Policies (Continued)

y) Parent entity financial information policy (Continued)

The head entity, Alkane Resources Ltd, and the controlled entities in the tax consolidation Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation Group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the Company, also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation Group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate the Company for any current tax payable assumed and are compensated by the Company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the Company under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities financial statements.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidation entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

2. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

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

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

Financial Assets	**Available for sale**	**Financial assets at amortised cost**	**Total**
2013	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	**-**	**64,294**	**64,294**
Receivables *	**-**	**1,474**	**1,474**
Available-for-sale financial assets	**41,083**	**-**	**41,083**
	41,083	**65,768**	**106,851**
2012			
Cash and cash equivalents	-	79,715	79,715
Receivables *	-	893	893
Available-for-sale financial assets	89,425	-	89,425
	89,425	80,608	170,033

* Excludes prepayments and tax receivable balances

Notes to the Financial Statements

For The Period Ended 30 June 2013

2. Financial Risk Management (continued)

Financial Liabilities	**Liabilities at amortised cost**	**Total**
2013	**$'000**	**$'000**
Trade and other payables	**7,735**	**7,735**
2012		
Trade and other payables	525	525

(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 cash holdings and receivables from customers.

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

The majority of the Group's receivables that are classified as financial assets relates to a grant due from a government department for which credit risk is minimal. Tax receivables and prepayments do not meet the definition of financial assets. None of the Group's receivables were past due at balance date (2012: nil).

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	
	30 June 2013	31 December 2012
	$'000	$'000
Cash and cash equivalents	**64,294**	79,715
Receivables *	**1,474**	893
Other financial assets	**3,671**	4,005
Total exposure	**69,439**	84,613

* Excludes prepayments and tax receivable balances

(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.

Management monitors rolling forecasts of the Group's cash position on the basis of expected cash flows. This is managed at a Group level.

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

(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's exposure to currency risk is currently limited to the movement in currencies for minor purchases denominated in foreign currencies from the date the Group commits to the expenditure to the date the liability is settled. There were no financial assets or liabilities exposed to currency risk at balance date (2012: Nil).

(ii) Price risk

The Group is 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. The majority of the Group's equity investments are publicly traded.

(iii) Interest rate risk

At balance date the Group had exposure to interest rate risk, through its cash and equivalents and other financial assets held within financial institutions. The Group minimises this risk by utilising fixed rate instruments.

Notes to the Financial Statements

For The Period Ended 30 June 2013

2. Financial Risk Management (continued)

(c) Market Risk (continued)

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and market risk. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

30 June 2013	**Carrying amount $'000**	**Interest rate risk**				**Other price risk**			
		Profit [b]		**Equity** [c]		**Profit** [b]		**Equity** [c]	
		+100bp $'000	**-100bp $'000**	**+100bp $'000**	**-100bp $'000**	**+10% $'000**	**-10% $'000**	**+10% $'000**	**-10% $'000**
Cash and cash equivalents	**64,294**	**450**	**(450)**	**-**	**-**	**-**	**-**	**-**	**-**
Receivables [a]	**1,474**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Available–for-sale financial assets	**41,083**	**-**	**-**	**-**	**-**	**-**	**-**	**2,876**	**(2,876)**
Other financial assets	**3,671**	**26**	**(26)**	**-**	**-**	**-**	**-**	**-**	**-**
Trade and other payables	**7,735**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total		**476**	**(476)**					**2,876**	**(2,876)**

[a] Excludes prepayments and tax receivable balances
[b] Impact on post-tax profit
[c] Impact on other components of Equity

31 December 2012	**Carrying amount $'000**	**Interest rate risk**				**Other price risk**			
		Profit [b]		**Equity** [c]		**Profit** [b]		**Equity** [c]	
		+100bp $'000	**-100bp $'000**	**+100bp $'000**	**-100bp $'000**	**+10% $'000**	**-10% $'000**	**+10% $'000**	**-10% $'000**
Cash and cash equivalents	79,715	558	(558)	-	-	-	-	-	-
Receivables [a]	893	-	-	-	-	-	-	-	-
Available for sale financial assets	89,425	-	-	-	-	-	-	6,260	(6,260)
Other financial assets	4,005	28	(28)	-	-	-	-	-	-
Trade and other payables	525	-	-	-	-	-	-	-	-
Total		586	(586)	-	-	-	-	6,260	(6,260)

[a] Excludes prepayments and tax receivable balances
[b] Impact on post-tax profit
[c] Impact on other components of Equity

The Group is not subject to significant foreign exchange risk as it operates primarily with one currency and has minimal transactions in foreign currency.

(c) Fair value disclosures:

The carrying amount of the group's financial assets and liabilities approximates their fair value.

The fair value of financial instruments traded in active markets (such as publically traded derivatives or available for sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price is used for financial assets held by the Group is the current bid price.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Notes to the Financial Statements

For The Period Ended 30 June 2013

3. 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.

4. Critical Accounting Estimates and Judgements

In preparing this Financial Report the Group has been required to make certain estimates and judgements concerning future occurrences. The resulting accounting estimates will, by definition, seldom equal the related actual results.

i) Critical judgements in applying the entities accounting policies

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.

Impairment of available-for-sale financial assets

The Group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

In the current reporting period, it was assessed that the declines in fair value below cost for certain available-for-sale financial assets were considered significant or prolonged, and as such an impairment loss was recorded. Refer to note 7 for details.

ii) Critical 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 Group 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.

The Group has recorded impairment charges against exploration and evaluation expenditure in the current period. Refer to note 7 for details.

Income taxes

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

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

Notes to the Financial Statements

For The Period Ended 30 June 2013

	Consolidated	
	6 months ended 30 June 2013 $'000	12 months ended 31 Dec 2012 $'000
5. Other Income/(Expenses)		
(Loss)/Gain from sale of investments	**(4,162)**	93,061
Gain from sale of assets	**3**	-
Interest income	**1,369**	3,611
Gain from settlement of gold price hedges	**6,767**	-
Other income	**60**	44
	4,037	96,716
6. Income Tax Expense		
a) Income tax expense		
Current tax	**(1,477)**	(1,423)
Deferred tax	**(29,333)**	26,244
Total income tax expense	**(30,810)**	24,821
b) Reconciliation of income tax expense to prima facie tax payable		
(Loss)/Profit from continuing operations before income tax expense	**(97,228)**	91,356
Prima facie tax expense/(benefit) at 30% (2012: 30%)	**(29,169)**	27,407
Add tax effect of:		
Other non-deductible items	**16**	3,249
Less tax effect of:		
Non-assessable income	**(1,477)**	(1,423)
Recognition of previously unrecognised prior period tax losses	**-**	(4,029)
Recognition of previously unrecognised prior period capital losses	**-**	(8)
Tax benefits of deductible equity raising costs	**(180)**	(375)
Income tax expense attributable to entity	**(30,810)**	24,821

	Consolidated	
	30 June 2013 $'000	31 December 2012 $'000
c) Recognised deferred tax assets comprising the following:		
Carry forward revenue losses	**14,463**	17,664
Carry forward capital losses	**-**	8
Property, plant and equipment	**9,182**	150
Capital raising and future blackhole deductions	**1,097**	1,289
Provisions and accruals	**201**	142
Other	**1,269**	114
Gross recognised deferred tax assets	**26,212**	19,367
Set-off against deferred tax liabilities	**(22,110)**	(19,367)
Net recognised deferred tax assets	**4,102**	-
Recognised deferred tax liabilities comprising the following:		
Exploration expenditure	**(10,834)**	(17,296)
Available for sale financial investments	**(11,196)**	(25,448)
Other	**(80)**	(99)
Gross recognised deferred tax liabilities	**(22,110)**	(42,843)
Set-off of deferred tax assets	**22,110**	19,367
Net recognised deferred tax liabilities	**-**	(23,476)
d) Deferred tax recognised directly in equity		
Relating to equity raising costs	**180**	(1,193)
Relating to revaluations of investments	**1,575**	(1,575)
	1,755	(2,768)

Notes to the Financial Statements

For The Period Ended 30 June 2013

7. Impairment of Non-Current Assets

(i) Gold Cash Generating Unit

Due to the significant decline in gold price experienced during the reporting period, Management have undertaken impairment testing of the Gold cash-generating unit ("CGU") to assess the appropriateness of its carrying value. Impairment testing was undertaken using the fair value less costs to sell ("FVLCS") methodology. FVLCS was determined as the present value of the estimated future cash flows (expressed in real terms) expected to arise from the continued use of the assets, over the current estimated life of the mine, using assumptions that an independent market participant may take into account. These cash flows were discounted using a real after tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

The impairment assessment concluded that the carrying value of the Gold CGU exceeded its recoverable amount and a pre-tax impairment expense of $62,702,000 was recorded (2012: $0). The FVLCS has been performed over a 7 year period. There were no impairment charges recorded in the prior period.

The key assumptions used in the FVLCS calculations include:

- commercially recoverable mineral inventories
- production volumes
- commodity prices
- the cash costs of production, capital expenditure, rehabilitation and mine closure costs
- the AUD/USD foreign exchange rate
- discount rates

Estimates of the quantities of commercially recoverable mineral inventories represent Managements' expectations at year end based on reserves and resource statements and exploration and evaluation work undertaken by appropriately qualified persons.

Production volume estimates applied were determined using current processes and technologies, and processing plant yields based on design specifications.

Long term commodity price estimates were determined by reference to external market forecasts. Forecast prices vary in accordance with the year the sale is expected to occur.

Estimates of cash costs of production were based on management latest estimate at balance sheet date of the costs expected to be incurred. Costs are determined after considering current forecast costs, future cost expectations and the nature and location of the operation.

Capital expenditure estimates were based on management's best estimate of sustaining capital expenditure for the existing operation and recent market prices for new infrastructure and equipment.

Exchange rates used to convert foreign denominated cash flows were based on bank consensus forecast exchange rates. Where the cash flows estimated as part of the FVLCS valuation extend beyond the period provided by forecasters, the consensus forecast rate for the last year forecast is extended for the remainder of the valuation period.

A real post tax discount rate of 8% was applied to the estimated CGU cash flows to arrive at the FVLCS.

The valuation is most sensitive to commodity price, exchange rate and operation costs. A 5% movement in Australian dollar commodity price (i.e. taking into account the US dollar commodity price and conversion into Australian dollars) has a $16,200,000 impact on the estimated recoverable amount. A 5% movement in operating costs has a $11,100,000 impact on the estimated recoverable amount.

The table below sets out the impairment charge by class of asset.

(i) Available-For-Sale Financial Assets

In the current reporting period, it was assessed that the declines in fair value below cost for certain available-for-sale financial assets were considered significant or prolonged, and as such an impairment loss was recorded. The table below provides details of the impairment charge recorded.

Notes to the Financial Statements

For The Period Ended 30 June 2013

7. Impairment of Non-Current Assets (continued)

	Gold CGU $'000	AFSA $'000	Total $'000
Property, plant and equipment	**33,942**	**-**	**33,942**
Available-for-sale financial assets (AFSA)	**-**	**35,824**	**35,824**
Exploration and evaluation costs	**28,760**	**-**	**28,760**
Total impairment charges before tax	**62,702**	**35,824**	**98,526**
Income tax benefit relating to impairment charges	**(18,811)**	**(10,747)**	**(29,558)**
Total impairment charges after tax	**43,891**	**25,077**	**68,968**

	Consolidated	
	30 June 2013 $'000	31 December 2012 $'000
8. Cash and Cash Equivalents		
Cash at bank	**9,294**	6,215
Deposits at call	**55,000**	73,500
	64,294	79,715

Cash at bank bears a weighted average interest rate of 3.6% (2012: 4.27%).

9. Receivables		
Other receivables	**1,519**	565
GST receivable	**2,161**	866
	3,680	1,431
10. Available for Sale Financial Assets		
Listed equity securities		
Opening balance at beginning of period	**89,425**	2
Additions during the period	**-**	94,675
Disposals during the period	**(17,770)**	-
Changes in fair value	**5,252**	(5,252)
Impairment charge (note 7)	**(35,824)**	-
Closing balance at end of period	**41,083**	89,425

11. Property, Plant and Equipment

2013	Land and buildings $'000	Plant and equipment $'000	Assets under construction $'000	Other mining assets $'000	Total $'000
Cost	**7,445**	**673**	**10,773**	**1,044**	**19,935**
Opening balance					
Additions	**4,929**	**379**	**28,804**	**1,336**	**35,448**
Disposals	**-**	**(1)**	**-**	**-**	**(1)**
Closing balance	**12,374**	**1,051**	**39,577**	**2,380**	**55,382**
Accumulated depreciation and impairment					
Opening balance	**4**	**253**	**-**	**-**	**257**
Disposals	**-**	**-**	**-**	**-**	**-**
Impairment charge (note 7)	**2,403**	**376**	**30,107**	**1,056**	**33,942**
Depreciation	**1**	**89**	**-**	**-**	**90**
Closing balance	**2,408**	**718**	**30,107**	**1,056**	**34,289**
Carrying value	**9,966**	**333**	**9,470**	**1,324**	**21,093**

Notes to the Financial Statements

For The Period Ended 30 June 2013

11. Property, Plant and Equipment (Continued)

2012	Land and buildings	Plant and equipment	Assets under construction	Other mining assets	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
Opening balance	2,166	383	1,737	1,044	5,330
Additions	6,291	306	9,036	-	15,633
Disposal of subsidiary	(1,012)	-	-	-	(1,012)
Disposals	-	(16)	-	-	(16)
Closing balance	7,445	673	10,773	1,044	19,935
Accumulated depreciation					
Opening balance	3	192	-	-	195
Disposals	-	(16)	-	-	(16)
Depreciation	1	77	-	-	78
Closing balance	4	253	-	-	257
Carrying value	7,441	420	10,773	1,044	19,678

12. Exploration and Evaluation

	Consolidated	
	30 June 2013 $'000	31 December 2012 $'000
Opening balance at beginning of period	**66,556**	49,003
Expenditure during the period	**7,853**	19,380
Disposal of subsidiary	**-**	(502)
Amounts provided for or written off	**(371)**	(1,325)
Impairment charge (note 7)	**(28,760)**	-
Closing balance end of period	**45,278**	66,556

The recovery of the costs of exploration and evaluation expenditure carried forward is dependent upon 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.

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.

	Consolidated	
	30 June 2013 $'000	**31 December 2012 $'000**
13. Other Financial Assets		
Interest bearing security deposits	**3,671**	4,005

The above deposits are held by financial institutions as security for rehabilitation obligations as required under the respective exploration and mining leases.

	Consolidated	
	30 June 2013 $'000	**31 December 2012 $'000**
14. Trade and Other Payables		
Trade and other payables	**7,735**	525
15. Provisions		
Current Provisions		
Provision for rehabilitation	**1,336**	-
Provision for employee benefits	**519**	216
	1,855	216

Notes to the Financial Statements

For The Period Ended 30 June 2013

	Consolidated	
	30 June 2013 $'000	**31 December 2012 $'000**
15. Provisions (Continued)		
Non-Current Provisions		
Provision for employee benefits	**135**	235

16. Contributed Equity

	Parent entity			
	30 June 2013		**31 December 2012**	
	Number	**$'000**	**Number**	**$'000**
Share capital				
Ordinary shares – Fully paid	**372,539,000**	**192,658**	372,539,000	192,156
Movements in ordinary share capital				
Opening balance at beginning of period	**372,539,000**	**192,156**	269,028,158	82,002
Share based payments	**100,000**	**41**	6,307,500	6,668
Rights issue	**-**	**-**	26,903,342	29,594
Transfer from option reserve	**-**	**917**		
Placement of shares	**-**	**-**	70,300,000	77,330
Closing balance at end of period	**372,639,000**	**193,114**	372,539,000	195,594
Less: Costs of issues, net of tax	**-**	**(456)**	-	(3,438)
Balance per Statement of Financial Position	**372,639,000**	**192,658**	372,539,000	192,156

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.

Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets.

Options

Information relating to options, including details of options issued, exercised and lapsed during the financial period and options outstanding at the end of the reporting period, is set out in note 28.

	Consolidated	
	30 June 2013 $'000	31 December 2012 $'000
17. Retained Profits and Reserves		
Retained losses/(profits)		
Balance at beginning of period	**47,236**	(19,299)
(Loss)/Profit for the period after income tax expense	**(66,418)**	66,535
Balance at end of period	**(19,182)**	47,236
Reserves		
Share based payment reserve	**-**	642
Available-for-sale financial asset reserve	**-**	(3,676)
	-	(3,034)

Notes to the Financial Statements

For The Period Ended 30 June 2013

	Consolidated	
	30 June 2013 $'000	31 December 2012 $'000
17. Retained Profits and Reserves (Continued)		
Share based payment reserve		
Balance at beginning of period	**642**	-
Options expense - gross	**-**	917
Options expired - gross	**(917)**	-
Deferred tax	**275**	(275)
Balance at end of period	**-**	642
Available-for-sale financial asset reserve		
Balance at beginning of period	**(3,676)**	-
Change in fair value - gross	**5,252**	(5,252)
Deferred tax	**(1,576)**	1,576
Balance at end of period	**-**	(3,676)

Nature and purpose of reserves

The share based payments reserve is used to recognise the fair value of options issued but not yet exercised.

The available for sale financial asset reserve is used to recognise the changes in fair value of available-for-sale financial assets.

18. Key Management Personnel Disclosure

A) Directors

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

Alkane Resources Ltd

John S F Dunlop, D Ian Chalmers, Ian J Gandel and Anthony D Lethlean

Tomingley Holdings Pty Ltd, Tomingley Gold Operations Pty Ltd

John S F Dunlop, D Ian Chalmers, Ian J Gandel and Anthony D Lethlean

Kiwi Australian Resources Pty Ltd, Australian Zirconia Limited

D Ian Chalmers, Lindsay A Colless and Ian J Gandel

Skyray Properties Ltd (BVI)

G Menzies

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 period:

K E Brown – Joint Company Secretary

L A Colless - Joint Company Secretary

M Ball – Chief Financial Officer

C) Transactions with key management personnel

Type of transaction	Related party Directors	Terms and conditions	Consolidated 6 months ended 30 June 2013 $'000	Consolidated 12 months ended 31 Dec 2012 $'000
Management consulting Director's retainer	J S F Dunlop	Normal commercial	**-** **69**	- 107
Director's retainer	D I Chalmers	Normal commercial	**238**	392
Director's consulting Director's retainer	I J Gandel	Normal commercial	**-** **41**	- 81
Directors' retainer	A D Lethlean	Normal commercial	**44**	78

Notes to the Financial Statements

For The Period Ended 30 June 2013

18. Key Management Personnel Disclosure (Continued)

C) Transactions with key management personnel (continued)

Type of transaction	Related party Other key management personnel	Terms and conditions	Consolidated 6 months ended 30 June 2013 $'000	Consolidated 12 months ended 31 Dec 2012 $'000
Salary	M B Ball	Normal commercial	**153**	45
Consulting fees *	L A Colless and K E Brown	Normal commercial	**164**	325

* Administration, accounting and company secretarial fees paid or due and payable to a Company in which Mr Colless and Ms Brown have substantial financial interests for services provided in the normal course of business and at normal commercial rates.

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	8,020
b) D I Chamlers	2,735
c) I J Gandel	27,396
d) J S Dunlop	15,500
e) L A Colless & K E Brown	24,012

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
A D Lethlean	-	433,396
D I Chalmers	-	2,268,854
I J Gandel	-	91,557,875
J S Dunlop	-	836,000
L A Colless	26,846	550,000[(a)]
K E Brown	64,157	275,000[(a)]
L A Colless & K E Brown in joint interests	-	373,335[(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 Ms Brown are Directors and shareholders.

2013 Name	Balance at the start of the period	Changes during the period	Issued during the period on exercise of options	Balance at the end of the period
<u>**Shares**</u>				
Directors				
A D Lethlean	**433,396**	**-**	**-**	**433,396**
D I Chalmers	**2,168,854**	**100,000**	**-**	**2,268,854**
I J Gandel	**91,557,875**	**-**	**-**	**91,557,875**
J S Dunlop	**836,000**	**-**	**-**	**836,000**
Key Management Personnel				
L A Colless	**576,846**	**-**	**-**	**576,846**
K E Brown	**339,157**	**-**	**-**	**339,157**
L A Colless & K E Brown in joint interests	**373,335**	**-**	**-**	**373,335**
Total shares	**96,285,463**	**100,000**	**-**	**96,385,463**

Notes to the Financial Statements
For The Period Ended 30 June 2013

18. Key Management Personnel Disclosure (Continued)

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

2012 Name	Balance at the start of the period	Changes during the period	Issued during the period on exercise of options	Balance at the end of the period
Shares				
Directors				
A D Lethlean	393,996	39,400	-	433,396
D I Chalmers	1,971,684	197,170	-	2,168,854
I J Gandel	70,911,964	20,645,911	-	91,557,875
J S Dunlop	760,000	76,000	-	836,000
Key Management Personnel				
L A Colless	524,405	52,441	-	576,846
K E Brown	308,324	30,833	-	339,157
L A Colless & K E Brown in joint interests	284,849	88,486	-	373,335
Total shares	75,155,222	21,130,241	-	96,285,463

F) Key management personnel compensation

	6 months ended 30 June 2013 $'000	12 months ended 31 Dec 2012 $,000
Short term employee or consulting benefits	**635**	934
Post-employment benefits	**33**	43
Long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**41**	48
	709	1,025

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.

	Consolidated	
	6 months ended 30 June 2013 $'000	12 months ended 31 Dec 2012 $'000
19. Auditor's 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	**26**	53
b) Non Audit services		
Other services	**-**	-
Total remuneration of auditors	**26**	53

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 non-audit services, where provided, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Notes to the Financial Statements

For The Period Ended 30 June 2013

20. Contingent Assets

The Group has entered into an agreement with the New South Wales Department of Trade and Investment Regional Infrastructure Services to receive 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). $1,000,000 (excluding GST) has been received in the current financial period, with a total of $1,500,000 received.

21. 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 $1,149,315 (2013: $581,000) 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.

Property, plant and equipment

The Group is currently constructing the Tomingley Gold Project. At balance date the majority of the major contracts had been awarded and procurement activities were well advanced. Commitments for acquisition and construction of property, plant and equipment not recognised as a liability in the financial statements are as follow:

	Consolidated	
	30 June 2013 $'000	31 December 2012 $'000
Within one year	**42,445**	17,182

Physical gold delivery commitments

The Group is exposed to movements in the gold price. The Group had previously entered into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold. The gold forwards contracted constituted part of the Group financier's overall required hedging. With the significant fall in the gold price during the period the Group was not willing to enter into the remaining gold forward contracts required under the financing terms and decided it prudent to realise the inherent value of the forward contracts resulting in a net cash inflow of $6,767,290.

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

30 June 2013	**Gold for physical delivery ounces**	**Contracted gold sale price per ounce - $**	**Value of committed sales $'000**
Within one year:			
Fixed forward contracts	-	-	-
31 December 2012			
Within one year:			
Fixed forward contracts	90,000	1,458	131,238

The Group has no other gold sale commitments. A contingent liability would exist for the difference between the hedge price and the spot price of gold if the forwards were not settled through physical delivery of gold.

Lease commitments

Lease payments to which the Group are committed to in the next 12 months are $184,530 (2012: $198,947). There are no operating lease commitments beyond this period.

Notes to the Financial Statements

For The Period Ended 30 June 2013

22. Related Party Transactions

Parent Entity

a) The parent entity within the Group is Alkane Resources Ltd

Subsidiaries

b) Interests in subsidiaries is set out in Note 23

Key Management Personnel

c) Disclosures relating to Key Management Personnel are set out in Note 18

23. Controlled Entities

Name	Place of Incorporation	Class of Shares	6 months ended 30 June 2013 %	12 months ended 31 Dec 2012 %
Australian Zirconia Limited	Western Australia	Ordinary	**100**	100
Skyray Properties Ltd	British Virgin Islands	Ordinary	**100**	100
Kiwi Australian Resources Pty Ltd	Western Australia	Ordinary	**100**	100
Tomingley Holdings Pty Ltd	New South Wales	Ordinary	**100**	100
Tomingley Gold Operations Pty Ltd	New South Wales	Ordinary	**100**	100

24. Subsequent Events

Since balance date the Group has sold 9,215,311 shares in Regis Resources Limited for proceeds of $35,361,318 net of transaction fees.

No other matter or circumstance has arisen since 30 June 2013 that has or may significantly affect the operations, the results, or the state of affairs of the Group.

25. Reconciliation of Net Cash Inflow From Operating Activities to Operating Loss After Income Tax

	Consolidated 6 months ended 30 June 2013 $'000	Consolidated 12 months ended 31 Dec 2012 $'000
Operating (Loss)/Profit	**(66,418)**	66,535
Non-cash items in operating profit		
Depreciation and amortisation	**89**	78
Share-based payments	**41**	248
Loss/(Gains) recognised from sale of investments	**4,162**	(93,061)
Gains recognised from sale of assets	**(3)**	-
Impairment charges	**98,897**	1,325
Changes in net assets and liabilities		
Decrease/(increase) in trade and other receivables	**14**	851
Decrease/(increase) in trade and other payables	**198**	(85)
Decrease/(increase) in provisions	**203**	106
(Increase)/decrease/ in deferred tax liability	**(29,333)**	26,244
Net cash inflow from operating activities	**7,850**	2,241

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

26. Non-Cash Investing and Financing Activities

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

Notes to the Financial Statements

For The Period Ended 30 June 2013

27. Earnings per Share

	6 months ended 30 June 2013 $'000	12 months ended 31 Dec 2012 $'000
Basic earnings per share		
(a) (Loss)/ Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**(66,418)**	66,535
	2013 Number	2012 Number
(b) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**372,556,127**	345,597,536

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

28. Share-Based Payments

Shares

During the period, 100,000 shares were issued to the Managing Director resulting in $41,500 being expensed to the profit and loss. Shares are valued at market price, being the share price on issue date.

Options

There were no options outstanding at the end of the financial period. 4,000,000 options expired during the period.

29. Parent Entity Disclosures

	Parent Entity 30 June 2013 $'000	Parent Entity 31 December 2012 $'000
Financial Position		
Assets		
Current assets	**107,239**	170,586
Non-current assets	**67,260**	88,067
Total assets	**174,499**	258,653
Liabilities		
Current liabilities	**888**	460
Non-current liabilities	**135**	10,418
Total liabilities	**1,023**	10,878
Equity and Reserves		
Issued capital	**192,658**	192,156
Accumulated (losses)/profits	**(19,182)**	58,653
Reserves	**-**	(3,034)
Total equity	**173,476**	247,775
Financial Performance		
(Loss)/Profit for the period	**(77,835)**	77,952
Other comprehensive income/(loss)	**3,676**	(3,676)
Total comprehensive (loss)/income	**(74,159)**	74,276

There were no guarantees, commitments or contingent liabilities relating to the Parent during the period or at balance date.

Notes to the Financial Statements

For The Period Ended 30 June 2013

29. Parent Entity Disclosures (Continued)

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

	Parent Entity	
	30 June 2013 $'000	31 December 2012 $'000
Balance at beginning of period	**(3,415)**	(9,256)
Impairment (charge)/reversal	**(47,496)**	5,841
Balance at end of period	**(50,911)**	(3,415)

Whilst the loans were not payable as at 30 June 2013, a provision for impairment based on the subsidiaries financial position was made. The balance of this provision may vary due to the ability of a subsidiary to repay the loan at reporting date.

Directors' Declaration

In the Directors' opinion:

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 Group as at 30 June 2013 and of its performance for the financial period 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

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,
30 August 2013

ROTHSAY
4 Ventnor Avenue, Suite 11, Lincoln House, West Perth, WA, 6005
P.O Box 8716, Perth Business Centre WA 6849
Phone: 08 9486 7094 www.rothsayresources.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALKANE RESOURCES LIMITED

Report on the financial report

We have audited the accompanying financial report of Alkane Resources Limited (the Company") which comprises the statement of financial position as at 30 June 2013, the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 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 entity it controlled at the period's end or from time to time during the period.

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.

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*.

Audit opinion

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

a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance for the period ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

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 period ended 30 June 2013. 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 Limited for the period ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Rothsay

Frank Vrachas
Partner

Dated 30 August 2013