ALKANE RESOURCES LTD
ACN 000 689 216

ANNUAL FINANCIAL REPORT 2011

Directors' Report

The directors present their report on the consolidated entity consisting of Alkane Resources Ltd (ACN 000 689 216) and the entities it controlled at the end of, or during, the year ended 31 December 2011.

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

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

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

RESULTS
The net amount of consolidated profit of the Group for the financial year after income tax was $2,786,970 (2010 profit $7,789,079).

DIVIDENDS
No dividends have been paid by the Company during the financial year ended 31 December 2011, 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
A Definitive Feasibility Study for the development of the Tomingley gold deposits was completed in December 2010. The final Environmental Assessment was lodged with the NSW Department of Planning and Infrastructure for “review for adequacy” during the first half of 2011 and was put on public display in November/December 2011. Responses to submissions have been lodged and completion of the development approval process is anticipated in the first half of 2012.

In an effort to accelerate the construction timetable, a number of programs were initiated to minimise any potential delays in the acquisition of long lead time items. These include:

- exercise of an option to acquire a 1,000ML Water Access Licence;
- placement of an order for the ball mill;
- letting of a contract for the water pipeline;
- drilling and casing of the production water bore which is being prepared for installation of the pump and associated electrical services
- preparation of an order for the power transformers; and
- issue of tender documents for the site civil works.

A financial adviser has been appointed to assist the Company in assessing appropriate financing strategies for the development of the Tomingley Gold Project and, in April 2011, Alkane granted a mandate for Credit Suisse to act exclusively as arranger and underwriter in respect of a Project Loan Facility and associated Gold Hedging Facility for use in the construction, start-up and operation of the project development. This financing will indicatively comprise of a Project Loan Facility of up to A$45 million and a Gold Hedging Facility of up to 163,000 ounces. During the year the Company entered into an initial 90,000 ounce gold forward sale that will underwrite a minimum price of approximately A$1,600 per ounce for the first two and a half years of production from the Project.

During the year further exploration and evaluation programs were conducted to upgrade the project’s resource and reserve inventories and to determine the potential for additional resources within the project site.

Dubbo Zirconia Project
During the year process development work at the Demonstration Pilot Plant (DPP) continued with particular emphasis on the recovery circuits for yttrium & heavy rare earth (HREE) and light rare earth (LREE) products.

The definitive feasibility study for a 400,000 tonne per annum development was completed in September 2011. The project was shown to be financially robust for an initial 20 year mine life, and a revised financial assessment of the DZP to confirm the model for a one million tonne per annum development has been commissioned and is expected to be completed by in the first half of 2012.

Directors' Report (continued)

REVIEW OF OPERATIONS (continued)

Discussions with potential customers have resulted in successful negotiations for a number of memoranda of understanding for offtake agreements accounting for 100% of both zirconium and niobium output from the project (61% of anticipated revenues). Negotiations are continuing in relation to the HREE and LREE concentrates.

Orange District Exploration Joint Venture
Exploration and evaluation continued on the Orange District Exploration Joint Venture, managed by Newmont Australia. Newmont have been reviewing development options for the McPhillamys project and have been drilling campaigns at the Charlies prospect within the Molong project area.

Other exploration projects
The Company has continued exploration and evaluation activities on its other New South Wales projects. In particular reconnaissance and follow up drilling programs have been conducted at the Glen Hollow target within the Comobella Intrusive Complex at Bodangora.

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

Corporate
Late in 2010 a Sponsored American Depositary Receipt (ADR) program was established providing a broader secondary market for the Company's listed securities. In February 2011, the ADRs were listed on OTCQX International, the premier tier of the OTC market in the USA. This listing provides a visible presence and information platform for the Company's securities in the US market.

In February 2011, the Company raised $21 million by way of a placement of shares to institutional and sophisticated investors. The funds raised have been applied to completion of the DFS on the Dubbo Zirconia Project and ongoing marketing development; preliminary development costs of the Tomingley Gold Project and further resource evaluations; and continuing evaluation of the Company's other existing gold and copper exploration projects.

Also, as outlined above, in March 2012, a three stage capital raising has been initiated to raise nearly $107 million for the construction and commissioning of the Tomingley Gold Project; preparation of an Environmental Impact Statement and continuing development of the Dubbo Zirconia Project; working capital for general purposes; and the costs of the capital raising.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS
The state of affairs of the Company was not affected by any significant changes during the year.

EVENTS SUBSEQUENT TO BALANCE DATE
In February 2012, wholly owned subsidiary, Australian Zirconia Ltd, received a research and development taxation offset receipt of $709,000.

On 1 March 2012, the Company announced a three stage capital raising of approximately $107 million comprising:

- up to $30 million through a partially underwritten 1 for 10 non-renounceable entitlement offer of fully paid ordinary shares in Alkane at $1.10 per new share;
- $44 million from a placement of approximately 40.3 million Alkane shares at $1.10 per new share to professional and sophisticated investors within Alkane's 15% placement capacity; and
- $33 million, subject to shareholder approval, from a placement of approximately 30 million Alkane shares at $1.10 per new share to professional and sophisticated investors.

On 14 March 2012, the first placement was completed with the issue of 40,300,000 ordinary fully paid shares in the Company. On the same date the offer documentation for the non-renounceable entitlement offer was despatched to eligible shareholders along with a notice of general meeting (to be held on 16 April 2012) to seek shareholder approval for the second placement.

Also, subsequent to year end, the Group has negotiated certain Put Options with landowners that may be potentially affected by proposed development plans. Under the terms of these agreements those landowners may elect to require the Group to purchase specific properties at independent valuation.

No other matter or circumstance has arisen since 31 December 2011 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2011.

Directors' Report (continued)

LIKELY DEVELOPMENTS
The Company intends to continue exploration on its existing tenements, to acquire further tenements for exploration of all minerals, to seek other areas of investment in the resources industry and to develop the resources on its tenements. During 2011 the Company lodged its Environmental Assessment for the Tomingley Gold Project with the NSW Department of Planning and Infrastructure and, as at the date of this report, approvals for development of the project are anticipated to be granted during 2012 paving the way for the Company to be in production early in 2013.

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

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

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

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

PARTICULARS OF DIRECTORS
John Stuart Ferguson Dunlop (Non-Executive Chairman)
BE (Min), MEng Sc (Min), FAusIMM (CP), FIMM, MAIME, MCIMM
Appointed director and Chairman 3 July 2006

Mr Dunlop (61) 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 currently Chairman of its affiliate, MICA the Mineral Consultants Society.

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

Mr Dunlop is a member of the Audit Committee and Chairman of the Remuneration and Nomination Committees.

David Ian (Ian) Chalmers (Managing Director)
MSc, FAusIMM, FAIG, FIMMM, FSEG, MSGA, MGSA, FAICD
Appointed director 10 June 1986, appointed Managing Director 5 October 2006

Mr Chalmers (63) is a geologist and graduate of the Western Australian Institute of Technology (Curtin University) and has a Master of Science degree from the University of Leicester in the United Kingdom. He has worked in the mining and exploration industry for over 40 years, during which time he has had experience in all facets of exploration through feasibility and development to the production phase.

During the last three years Mr Chalmers was also a non-executive director of AuDAX Resources Ltd (October 1993 to February 2009).

Mr Chalmers is a member of the Nomination Committee.

Directors' Report (continued)

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

Mr Gandel (54) is a successful Melbourne businessman with extensive experience in retail management and retail property. He has been a director of the Gandel Retail Trust and has had an involvement in the construction and leasing of Gandel shopping centres. He has previously been involved in the Priceline retail chain and the CEO chain of serviced offices.

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

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

Anthony Dean Lethlean (Non-executive Director)
BAppSc(geology)
Appointed director 30 May 2002
Mr Lethlean (48) is a geologist with over 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers and is currently a director of Helmsec Global Capital Limited (Mr Lethlean is a substantial shareholder in Helmsec Global Capital Limited). Mr Lethlean is a non-executive director of Alliance Resources Ltd (appointed 15 October 2003).

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

JOINT COMPANY SECRETARIES
Lindsay Arthur Colless
CA, JP (NSW), FAICD
Mr Colless (66) is a member of the Institute of Chartered Accountants in Australia with over 15 years experience in the profession and a further 34 years experience in Commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director. He is the Company's Chief Financial Officer.

Karen E V Brown
BEc (hons)
Miss Brown (51) is a director and company secretary of Mineral Administration Services Pty Ltd. She has considerable experience in corporate administration of listed companies over a period of some 25 years, primarily in the mineral exploration industry. She is company secretary of a number of publicly listed companies including Northern Star Resources Ltd, Alkane Resources Ltd and General Mining Corporation Ltd.

DIRECTORS' MEETINGS
The following sets out the number of meetings of the Company's directors (including meetings of Board committees) held during the year ended 31 December 2011 and the number of meetings attended by each director.

			Committee Meetings					
Director	Board of Directors		Audit		Nomination		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J S F Dunlop	10	9	4	3	3	2	4	3
D I Chalmers	10	10	n/a	n/a	3	3	n/a	n/a
A D Lethlean	10	10	4	4	3	3	4	4
I J Gandel	10	10	4	4	3	3	4	4

Directors' Report (continued)

SHARE OPTIONS
There were no options over unissued ordinary shares of Alkane Resources Ltd at the beginning of the year, during the year or at the date of this report.

DIRECTORS' INTERESTS AND BENEFITS
a) consulting fees of $5,417 paid or due and payable to Rocky Rises Pty Ltd for services provided in the normal course of business and at normal commercial rates.
b) consulting fees of $7,833 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.
c) consulting fees of $5,417 paid or due and payable to Gandel Metals Pty Ltd for services provided in the normal course of business and at normal commercial rates.

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

REMUNERATION REPORT
The remuneration report is set out under the following main headings:
A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation
E. Additional information

The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001.
The information provided within this remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 'Related Party Disclosures'. These disclosures have been transferred from the financial report and have been audited.

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

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

The Board ensures that executive reward satisfies the following key criteria for good reward corporate governance practices:
- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

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

The Company's 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 (continued)

REMUNERATION REPORT (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.

Director's fees

Directors' fees are determined within an aggregate directors' fee pool limit (currently $450,000 per annum), which is periodically recommended for approval by shareholders. This amount is separate from any specific consulting tasks the directors may take on for the Company.

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

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

B. Details of remuneration (audited)

	Consolidated		Parent entity	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Total income received, or due and receivable, by directors of Alkane Resources Ltd from the Company, and any related party in connection with the management of the Company and any related parties.	**804,908**	898,605	**720,884**	767,377

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

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

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

Key Management Personnel and other executives of the Company

Name	Short-term benefits Cash Salary and fees $	Post-employment benefits Superannuation $	Share-based payment $	Total $
Executive Director of Alkane Resources Ltd				
2011				
D I Chalmers	**521,907[a]**	**16,200**	**-**	**538,107[a]**
Non-executive Directors of Alkane Resources Ltd				
2011				
J S F Dunlop	**110,100**	**-**	**-**	**110,100**
I J Gandel	**95,400**	**-**	**-**	**95,400**
A D Lethlean	**77,500**	**-**	**-**	**77,500**
	804,907	**-**	**-**	**821,107**
Key management personnel of Alkane Resources Ltd				
2011				
L A Colless and K E Brown	**182,433**	**-**	**-**	**182,433**

[a]$222,900 relates to salary and fees paid for Mr Chalmers' services as Managing Director, the balance relates to fees paid to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.

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

No long term or termination benefits have been paid.

Directors' Report (continued)

REMUNERATION REPORT (continued)

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

[a]$70,950 relates to fees paid for Mr Chalmers' services as Managing Director, the balance relates to fees paid to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.
[b]$237,547 relates to fees paid to non-executive directors, the balance relates to consulting fees paid to the directors or related entities for services provided in the normal course of business and at normal commercial rates
[c]Corporate administration, accounting & company secretarial fees paid to Mineral Administration Services Pty Ltd, a company with which Mr Colless and Miss Brown are associated.

No long term or termination benefits have been paid.

C. Service agreements (audited)

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 2011

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 of $14,250 per month payable by the Company and its subsidiaries to Mineral Administration Services Pty Ltd, a company in which Mr Colless and Miss Brown have substantial financial interests.

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

Directors' Report (continued)

REMUNERATION REPORT (continued)
C. 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
Retainer payable to John S Dunlop & Associates Pty Ltd, in which Mr Dunlop has a substantial financial interest, of $94,000 per annum plus $5,000 per annum for membership of specified Board committees ($7,500 for chairmanship of committees) plus per diem of $1,200 per day up to 4 days per month averaged over a 12 month rolling period for consulting services over and above normal director duties.

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

I J Gandel
Agreement
Retainer payable to Gandel Metals Pty Ltd in which Mr Gandel has a substantial financial interest of $65,000 per annum plus $5,000 per annum for membership of specified Board committees plus per diem of $1,200 per day up to 4 days per month for consulting services over and above normal director duties.

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

A D Lethlean
Agreement
Retainer payable to Rocky Rises Pty Ltd, in which Mr Lethlean has a substantial financial interest, of $65,000 per annum plus $5,000 per annum for membership of specified Board committees ($7,500 for chairmanship of committees) plus per diem of $1,200 per day up to 4 days per month for consulting services over and above normal director duties.

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

D. Share-based payments (audited)

Performance Rights Plan
On 17 May 2012, 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 (continued)

REMUNERATION REPORT (continued)
D. 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.

Options granted during the year
No options were granted to the directors or to employees during the year.

E. Additional information – (audited)

Shares issued on the exercise of options
There were no ordinary shares of Alkane Resources Ltd issued during the year ended 31 December 2011 on the exercise of options.

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

Key Management Personnel
Other than the Managing Director and Company Secretaries, there were no other key management personnel during the financial year.

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

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

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

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

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

Directors' Report (continued)

CORPORATE GOVERNANCE

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

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

Auditors' Independence -Section 307C

> The following is a copy of a letter received from the Company's auditors:
>
> "Dear Sirs,
>
> In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:
>
> i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2011 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 23 March 2012

Non-Audit Services

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including acting in a management or a decision-making capacity for the Company or acting as advocate for the Company.

	Consolidated	
The following amounts were paid to the auditors	**2011**	2010
	$'000	$'000
Auditor's remuneration		
- auditing the accounts	**48**	43
Non-audit services		
- taxation services	**9**	4

Signed in accordance with a resolution of the Directors.

D I Chalmers
Director
Dated at Perth this 23rd day of March 2012

Statement of Comprehensive Income

For The Year Ended 31 December 2011

	Note	Consolidated 2011 $'000	2010 $'000
Revenue from continuing operations			
Rent received		**43**	26
Gains recognised from sale of investments		**-**	9,598
Gains recognised from sale of assets		**29**	1
Interest received or due and receivable from other corporations		**889**	326
Government grant		**-**	165
Other revenue		**-**	-
		961	10,116
Expenses from continuing operations			
Rent		**(157)**	(50)
Filing fees		**(91)**	(40)
Share Registry costs		**(96)**	(62)
Annual reports		**(24)**	(18)
Directors' corporate consulting		**(421)**	(426)
Administration and secretarial		**(186)**	(163)
Consulting		**(135)**	(46)
Motor vehicle expenses		**(33)**	(32)
Employee costs		**(132)**	(41)
Legal fees		**(315)**	(10)
Public relations		**(280)**	(173)
Travel, entertainment & seminars		**(190)**	(80)
Insurances		**(52)**	(97)
Administration expenses		**(178)**	(41)
Audit fees	23	**(48)**	(43)
Auditor - other services		**(9)**	(4)
Finance costs		**(112)**	-
Depreciation		**(55)**	(49)
Peak Hill minesite maintenance and rehabilitation		**(145)**	(130)
Exploration costs		**(1,023)**	(760)
Provision for quoted shares		**(1)**	-
Provision for employee entitlements		**(65)**	(62)
		(3,748)	(2,327)
Profit/(Loss) before income tax		**(2,787)**	7,789
Income tax attributable	2	**-**	-
Profit/(Loss) for the year		**(2,787)**	7,789
Other comprehensive income		**-**	-
Total comprehensive income/(loss) for the year		**(2,787)**	7,789
Comprehensive income/(loss) is attributable to:			
Members of Alkane Resources Ltd		**(2,787)**	7,789
Minority interests		**-**	-
		(2,787)	7,789
Profit/(Loss) is attributable to:			
Members of Alkane Resources Ltd	16	**(2,787)**	7,789
Minority interests		**-**	-
		(2,787)	7,789
Earnings per share for loss attributable to the ordinary equity holders of the Company	20	**($0.01)**	$0.03

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 31 December 2011

		Consolidated	
		2011	2010
	Note	**$'000**	$'000
Current Assets			
Cash and cash equivalent	17	**9,805**	4,555
Receivables	3	**686**	437
Available for sale financial assets	4	**2**	3
Other financial assets		**-**	-
Total Current Assets		**10,493**	4,995
Non-Current Assets			
Property, plant & equipment	5	**2,355**	2,071
Capitalised exploration and evaluation expenditure	6	**51,783**	39,266
Other financial assets	7	**519**	512
Total Non-Current Assets		**54,657**	41,849
Total Assets		**65,150**	46,844
Current Liabilities			
Payables	8	**2,102**	996
Provisions	9	**134**	94
Total Current Liabilities		**2,236**	1,090
Non-Current Liabilities			
Provisions	9	**211**	186
Total Non-Current Liabilities		**211**	186
Total Liabilities		**2,447**	1,276
Net Assets		**62,703**	45,568
Equity			
Contributed equity	10	**82,002**	62,080
Reserves	11	**-**	-
Accumulated losses	12	**(19,299)**	(16,512)
Total parent entity interest		**62,703**	45,568
Outside equity interests in controlled entities		**-**	-
Total Equity		**62,703**	45,568

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Consolidated	Note	Attributable to members of Alkane Resources Ltd Contributed equity $'000	Reserves $'000	Retained earnings $'000	Minority Interest $'000	Total equity $'000
Balance at 1 January 2010		62,080	5,920	(24,418)	117	43,699
Total comprehensive income/(loss) for the year		-	-	7,789	-	7,789
Contributions of equity, net of transaction costs	10	-	-	-	-	-
Realisation of reserve on disposal of asset	11A	-	(5,920)	-	-	(5,920)
Transfer of minority interest on deconsolidation of subsidiary				117	(117)	
Balance at 31 December 2010		62,080	-	(16,512)	-	45,568

Consolidated	**Note**	**Attributable to members of Alkane Resources Ltd** **Contributed equity $'000**	**Reserves $'000**	**Retained earnings $'000**	**Minority Interest $'000**	**Total equity $'000**
Balance at 1 January 2011		**62,080**	**-**	**(16,512)**	**-**	**45,568**
Total comprehensive income/(loss) for the year		**-**	**-**	**(2,787)**	**-**	**(2,787)**
Contributions of equity, net of transaction costs	10	**19,922**	**-**	**-**	**-**	**19,922**
Balance at 31 December 2011		**82,002**	**-**	**(19,299)**	**-**	**62,703**

The accompanying notes form part of these financial statements

Statement of Cash Flows

For The Year Ended 31 December 2011

	Note	Consolidated 2011 $'000	2010 $'000
Cash Flows from Operating Activities			
Rent received		**47**	29
Payments to suppliers (inclusive of goods and services tax)		**(1,725)**	(1,491)
Other income		**-**	-
Interest received		**922**	263
Net cash from operating activities	18	**(756)**	(1,199)
Cash Flows from Investing Activities			
Purchase of plant, property & equipment		**(337)**	(1,035)
Proceeds from sale of plant, property & equipment		**28**	1
Proceeds from sale of investment securities		**-**	9,603
Payments for security deposits		**(7)**	(16)
Exploration expenditure		**(10,946)**	(7,776)
Development expenditure		**(2,654)**	(20)
Net cash provided for investing activities		**(13,916)**	757
Cash Flows from Financing Activities			
Proceeds from issue of shares and options		**21,000**	-
Cost of share issues		**(1,078)**	-
Receipts from Commercial Ready Grant		**-**	165
Net cash flow from financing activities		**19,922**	165
Net increase (decrease) in cash and cash equivalents		**5,250**	(277)
Cash and cash equivalents at the beginning of the financial year		**4,555**	4,832
Cash and cash equivalents at the end of the financial year	17	**9,805**	4,555

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For The Year Ended 31 December 2011

1. Statement of Significant Accounting Policies

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

a) **Basis of preparation**

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

The financial report is presented in Australian Dollars, which is the Group's presentation currency and is prepared in accordance with the historical cost basis. All values are rounded to the nearest thousand dollars ($'000), unless otherwise stated, under the option available to the company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Separate financial statements for Alkane Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Alkane Resources Limited as an individual entity is included in Note 15.

Compliance with IFRSs

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

Historical cost convention

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

b) **Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alkane Resources Ltd ("the Company") as at 31 December 2011 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Alkane Resources Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

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

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

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

c) **Income Tax**

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

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

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

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

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

Notes to the Financial Statements

For The Year Ended 31 December 2011

1. Statement of Accounting Policies (Continued)

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

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

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

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

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

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

e) **Segment Reporting**

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 indentified as the full Board of Directors.

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. For management purposes, the Group has indentified only one reportable segment as 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 year.

Segment assets

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

Segment liabilities

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

f) **Revenue Recognition**

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

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

g) **Government Grants**

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

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

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

h) **Royalties and other mining imposts**

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

Notes to the Financial Statements

For The Year Ended 31 December 2011

1. Statement of Accounting Policies (Continued)

i) **Cash and cash equivalents**

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

j) **Trade and Other Receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. 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.

k) **Fair Value Estimation**

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

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

l) **Plant and Equipment**

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

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

m) **Investments and Other Financial Assets**

<u>Classification</u>

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

While the company does not currently hold any Held-to-maturity investments, the accounting policy for these investments is as follows: 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.

Notes to the Financial Statements

For The Year Ended 31 December 2011

1. Statement of Accounting Policies (Continued)

m) **Investments and Other Financial Assets (Continued)**

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 then for the medium to long term.

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. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. 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.

Subsequent measurement

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 statement of comprehensive income within other income or other expenses in the period in which they arise.

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.

n) **Impairment of assets**

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

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

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

o) **Trade Payables**

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

p) **Provisions**

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

q) **Leases**

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

Notes to the Financial Statements

For The Year Ended 31 December 2011

1. Statement of Accounting Policies (Continued)

r) **Joint ventures**

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

s) **Exploration expenditure**

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

i) the area has proven commercially recoverable reserves; or

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

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

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

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

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

t) **Restoration, rehabilitation and environment expenditure**

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

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

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

u) **Employee benefits**

Wages and salaries, annual leave and sick leave

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

Long service leave

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

Notes to the Financial Statements
For The Year Ended 31 December 2011

1. Statement of Accounting Policies (Continued)

u) **Employee benefits (Continued)**

Superannuation

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

Redundancy

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

v) **Contributed Equity**

Ordinary shares are classified as equity.

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

w) **Earnings per share**

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

x) **Share based payments**

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

y) **Comparative figures**

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

z) **New accounting standards and interpretations**

The Group has adopted the following new and amended Australian Accounting Standards and interpretations as of 1 January 2011:

Affected Standard	Nature of Change to Accounting Policy	Application *
Revised AASB 124 : Related Party Disclosures, and AASB 2009-12 Amendments to Australian Accounting Standards	Incorporates the following changes: - Clarifies the definition of a related party - Includes an explicit requirement to disclose commitments involving related parties. - Provides a partial exemption from related party disclosure requirements for government-related entities.	1 Jan 2011
AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Key clarifications include: - The measurement of non-controlling interests in a business combination - Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations. - Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.	1 July 2010
AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project	Key amendments include: - Clarification of content of Statement of Changes in Equity (AASB 101), financial instrument disclosures (AASB 7) and significant events and transactions in interim reports (AASB 134) - Interpretation 13 – fair value of award credits - AASB 1 – accounting policy changes in year of adaptation and amendments to deemed cost (revaluation basis, regulatory assets).	1 Jan 2011

Notes to the Financial Statements

For The Year Ended 31 December 2011

1. Statement of Accounting Policies (Continued)

z) New accounting standards and interpretations (continued)

AASB 2010-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2011.	1 January 2011

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

The following Applicable Australian Accounting Standards have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2011. 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 2009-11 Amendments to Australian Accounting Standards resulting from AASB9
- AASB 2009-12 Amendments to Australian Accounting Standards
- AASB 2010-7 Amendments to Australian Accounting Standards resulting from AASB9
- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of interests in other entities
- AASB 13 Fair value measurement
- AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB13
- AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB119
- AASB 2011-11Amendments to AASB119 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.
- AASB 1054 Australian additional disclosures, AASB 2011-1 Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project, AASB 2011-2 Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project – Reduced Disclosure Requirements.
- AASB 2011-5 Amendments to Australian Accounting Standards – Extending relief from consolidation, the equity method and proportionate consolidation
- AASB 2011-6 Amendments to Australian Accounting Standards – Extending relief from consolidation, the equity method and proportionate consolidation – Reduced Disclosure requirements
- AASB 2011-7 Amendments to Australian Accounting Standards arising from consolidation and joint arrangement standards
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of items of Other Comprehensive Income
- AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to AASB 1049
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred tax: Recovery of underlying assets
- AASB 2010-9 Amendments to Australian Accounting Standards – Hyper-inflation and removal of fixed dates for First Time Adopters
- AASB 2010-10 Amendments to Australian Accounting Standards –Removal of fixed dates for First Time Adopters

Notes to the Financial Statements

For The Year Ended 31 December 2011

1. Statement of Accounting Policies (Continued)

aa) **Critical accounting estimates & judgements**

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

i) Significant accounting judgements

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

<u>Capitalisation of exploration and evaluation expenditure</u>

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

ii) Significant accounting estimates and assumptions

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

<u>Impairment of capitalised exploration and evaluation expenditure</u>

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

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

As at 31 December 2011, the carrying value of exploration expenditure of the group is $51,783,560.

Notes to the Financial Statements
For The Year Ended 31 December 2011

		Consolidated	
		2011	2010
		$'000	$'000
2.	**Income Tax Expense**		
a)	**Income tax expense**		
	Current tax	**-**	-
	Deferred tax	**-**	-
b)	Numerical reconciliation of income tax expense to prima facie tax payable		
	Loss from continuing operations before income tax expense	**(2,787)**	7,789
	Prima facie tax payable at 30 %	**(836)**	2,337
	Add: tax effect of amounts which are not deductible (taxable) in calculating taxable income		
	Adjustments in respect of deferred income tax of previous years	**11,696**	9,305
	Tax losses not brought to account as a deferred tax	**(10,860)**	(11,642)
		-	-
c)	**Tax losses**		
	Unused tax losses for which no deferred tax asset has been recognised		
	Potential tax benefit at 30%	**15,432**	13,386
d)	**Unrecognised temporary differences**		
	Deferred tax liabilities – capitalised exploration	**(15,535)**	(11,552)
	Deferred tax assets – accrued expenses	**-**	-
	Deferred tax assets – provisions	**103**	84
	Deferred tax assets – revenue tax losses	**15,432**	13,386
	Total deferred tax asset not recognised	**15,535**	13,470
	Net deferred tax asset	**-**	1,918

Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and there is a legally recognised right to set off.

3.	**Trade and other Receivables (Current)**		
	Debtors including GST refunds	**686**	437
4.	**Available for sale financial assets (Current)**		
	Quoted Shares - fair value less than cost		
	Opening balance at 1 January	**3**	3
	Net gain (loss) from fair value adjustment	**(1)**	-
	Closing balance at 31 December	**2**	3
	Quoted Shares - fair value greater than cost		
	Opening balance at 1 January	**-**	5,925
	Disposals during the year	**-**	(5,925)
	Closing balance at 31 December	**-**	-
	Closing balance at 31 December	**2**	3

Notes to the Financial Statements

For The Year Ended 31 December 2011

		Consolidated	
		2011	2010
		$'000	$'000
5.	**Property, Plant And Equipment**		
	Property, plant & equipment - at cost	**2,556**	2,392
	Less: Accumulated depreciation	**(201)**	(321)
		2,355	2,071
	Reconciliation of carrying amount		
	Opening balance at 1 January	**2,071**	1,085
	Plant & equipment acquired during year	**339**	1,035
	Depreciation during year	**(55)**	(49)
	Closing balance at 31 December	**2,355**	2,071
6.	**Exploration and Development Expenditure (Non-Current)**		
	Accumulated contributions to other ongoing exploration projects at fair value		
	Opening balance at 1 January	**39,140**	31,867
	Expenditure during the period	**10,886**	8,033
	Net gain (loss) from fair value adjustment	**(1,023)**	(760)
	Closing balance at 31 December	**49,003**	39,140
	Development expenditure brought forward in respect of areas of interest		
	Opening balance at 1 January	**126**	106
	Expenditure during the period	**2,654**	20
	Closing balance at 31 December	**2,780**	126
	Total exploration, evaluation and development expenditure	**51,783**	39,266

The recovery of the costs of exploration and evaluation expenditure carried forward is dependent on the successful development and commercial exploitation of each area of interest, or otherwise by the sale at an amount not less than the carrying value.

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.

7.	**Other financial assets (Non-Current)**		
	Interest bearing security deposits (not available for use)	**519**	512
		519	512
8.	**Trade and other Payables (Current Liabilities)**		
	Trade creditors	**2,102**	996
		2,102	996
9.	**Provisions (Current Liabilities)**		
	Provision for annual leave	**134**	94
	Provisions (Non-current Liabilities)		
	Provision for redundancy/long service leave	**211**	186

Notes to the Financial Statements

For The Year Ended 31 December 2011

		Parent entity			
		2011		**2010**	
		Number	**$'000**	**Number**	**$'000**
10.	**Contributed Equity**				
	Share Capital				
	Ordinary shares – Fully paid	**269,028,158**	**82,002**	249,028,158	62,080
	Movements in ordinary share capital				
	Opening balance at 1 January	**249,028,158**	**62,080**	249,028,158	62,080
	Exercise of options	**-**	**-**	-	-
	Placement of shares	**20,000,000**	**21,000**	-	-
	Closing balance at 31 December	**269,028,158**	**83,080**	249,028,158	62,080
	Less: Costs of Issues	**-**	**(1,078)**	-	-
	As per Statement of Financial Position	**269,028,158**	**82,002**	249,028,158	62,080

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.

		Consolidated	
		2011	2010
		$'000	$'000
11.	**Reserves and Accumulated Losses**		
	(A) RESERVES		
	Share Investment Revaluation Reserve	**-**	-
	Movement:		
	Balance 1 January	**-**	5,920
	Realised on disposal of shares	**-**	(5,920)
	Balance 31 December	**-**	-
	(B) ACCUMULATED LOSSES		
	Balance 1 January	**(16,512)**	(24,418)
	Loss for the year after related income tax expense	**(2,787)**	7,789
	Minority interest transferred on deconsolidation	**-**	117
	Balance 31 December	**(19,299)**	(16,512)

(C) NATURE AND PURPOSE OF RESERVES
The share investments revaluation reserve is used to recognise the fair value of available-for-sale financial assets.

12. Key Management Personnel Disclosure

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

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

Subsidiaries
LFB Resources NL, Kiwi Australian Resources Pty Ltd, , Australian Zirconia Ltd
D Ian Chalmers, Lindsay A Colless and Ian J Gandel (appointed 21 July 2011)

Australasian Geo-Data Pty Ltd (subsidiary to November 2011)
D Ian Chalmers and Lindsay A Colless

Skyray Properties Ltd (BVI)
G Menzies

Executives during year
D Ian Chalmers (Managing Director)

Notes to the Financial Statements

For The Year Ended 31 December 2011

12. Key Management Personnel Disclosure (Continued)

B) Other key management personnel

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

L A Colless – Company Secretary/Chief Financial Officer
K E Brown – Joint Company Secretary

C) Transactions with Key Management Personnel

a) technical services and geological consulting fees of $299,006 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.

b) consulting fees of $20,400 paid or due and payable to Gandel Metals Pty Ltd for services provided in the normal course of business and at normal commercial rates.

c) consulting fees of $3,600 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.

d) administration, accounting and company secretarial fees of $182,433 paid or due and payable to a company in which Mr Colless and Miss Brown have substantial financial interests for services provided in the normal course of business and at normal commercial rates.

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

D) Outstanding Balances

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

Current payables		
a)	A D Lethlean	$6,459
b)	I J Gandel	$6,250
c)	J S Dunlop	$8,875
d)	L A Colless & K E Brown	$16,521

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	-	393,996
D I Chalmers	4,536	1,967,148
I J Gandel	-	70,911,964
J S Dunlop	-	760,000
L A Colless	24,405	500,000[(a)]
K E Brown	58,324	250,000[(a)]
L A Colless & K E Brown in joint interests	-	284,849[(b)]

(a) Held by MAS Superfund and other related parties for the benefit of the respective key management personnel
(b) Held in the name of Mineral Administration Services Pty Ltd, a company in which Mr. Colless and Miss Brown are directors and shareholders.

Notes to the Financial Statements

For The Year Ended 31 December 2011

12. Key Management Personnel Disclosure (Continued)

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

2011

Name	Balance at the start of the financial period	Changes during the year	Issued during the year on exercise of options	Balance at the end of the financial period
Shares				
Directors				
A D Lethlean	**393,996**	**-**	**-**	**393,996**
D I Chalmers	**1,971,684**	**-**	**-**	**1,971,684**
I J Gandel	**70,911,964**	**-**	**-**	**70,911,964**
J S Dunlop	**760,000**	**-**	**-**	**760,000**
Key Management Personnel				
L A Colless	**524,405**	**-**	**-**	**524,405**
K E Brown	**358,324**	**(50,000)**	**-**	**308,324**
L A Colless & K E Brown in joint interests	**284,849**	**-**	**-**	**284,849**
Total shares	**75,205,222**	**-**	**-**	**75,155,222**

2010

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

F) Key management personnel compensation

	2011 $'000	2010 $,000
Short term employee benefits	**805**	899
Post-employment benefits	**16**	-
Long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**-**	-
	821	899

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.

Notes to the Financial Statements

For The Year Ended 31 December 2011

13. 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.

14. Related Party Transactions

Directors (current)

Type of transaction	Related party Directors	Terms and conditions	Consolidated 2011 $'000	Consolidated 2010 $'000
Management consulting	J S F Dunlop	Normal commercial	**4**	7
Director's retainer			**107**	85
Geological consulting, including geological and technical support staff	D I Chalmers	Normal commercial	**299**	584
Director's retainer			**223**	71
Director's consulting	I J Gandel	Normal commercial	**20**	-
Director's retainer			**75**	60
Consulting	A D Lethlean	Normal commercial	**-**	-
Directors' retainer			**78**	62

15. Parent Entity Disclosures

	Parent Entity 2011 $'000	Parent Entity 2010 $'000
Financial Position		
Assets		
Current assets	**10,259**	4,974
Non-current assets	**54,094**	41,762
Total assets	**64,353**	46,736
Liabilities		
Current liabilities	**1,438**	1,001
Non-current liabilities	**211**	185
Total liabilities	**1,649**	1,186
Equity and Reserves		
Issued capital	**82,002**	62,080
Accumulated profits / (losses)	**(19,299)**	(16,530)
Share valuation reserve	**-**	-
Total equity	**62,704**	45,550
Financial Performance		
Profit / (loss) for the year	**2,769**	7,771
Other comprehensive income	**-**	-
Total comprehensive income	**2,769**	7,771
Guarantees entered into by the Parent Entity	**-**	-
Contingent liabilities of the Parent Entity	**-**	-
Commitments for acquisition of Property, Plant and Equipment by the Parent Entity	**-**	-

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

	2011	2010
Balance at 1 January	**(9,139)**	(9,039)
Impairment loss/(write-back) recognised	**(117)**	(100)
Balance at 31 December	**(9,256)**	(9,139)

Whilst the loans were not payable as at 31 December 2011, a provision for impairment based on the subsidiaries financial position was made. The balance of this provision may vary due to the performance of a subsidiary in a given year.

Notes to the Financial Statements

For The Year Ended 31 December 2011

16. Controlled Entities

Name	Inc	Class	Book value 2011 $'000	Book value 2010 $'000	Equity 2011 %	Equity 2010 %	Contribution to Group 2011 $'000	Contribution to Group 2010 $'000
Australian Zirconia Ltd	WA	Ord	**-**	-	**100**	100	**(113)**	(66)
Skyray Properties Ltd	BVI	Ord	**2,300**	2,300	**100**	100	**(5)**	(6)
Kiwi Australian Resources Pty Ltd	NSW	Ord	**-**	-	**100**	100	**-**	-
LFB Resources NL	NSW	Ord	**3,559**	3,559	**100**	100	**(16)**	(22)
Australasian Geo-Data Pty Ltd	Qld	Ord	**-**	-	**0**	74	**-**	-
			5,859	5,859				
Contribution to Group Profit (Loss) after minorities							**(134**	(94)
Parent –Alkane Resources Ltd							**(2,653)**	7,883
Profit (loss) for year – group							**(2,787)**	7,789
Loans to (from) subsidiaries			**27,168**	20,801				
Provision for loss			**(9,256)**	(9,139)				
Parent net investment in subsidiaries			**23,771**	17,521				

	Consolidated 2011 $'000	Consolidated 2010 $'000
17. Reconciliation of Cash		
Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank	**9,520**	4,291
Call deposits	**285**	264
	9,805	4,555

Cash at bank bears a weighted average interest rate of 3.29% (2010: 3.75%)

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

	2011 $'000	2010 $'000
Operating Profit (Loss)	**(2,787)**	7,789
Non-cash fair value adjustments		
• Depreciation and amortisation	**55**	49
• Movements in Provisions	**66**	62
Grant received	**-**	(165)
Exploration	**1,082**	523
Gains recognised from sale of investments	**-**	(9,598)
Gains recognised from sale of assets	**(29)**	(1)
Changes in net current assets and liabilities		
• Decrease (increase) in Trade and other receivables	**(248)**	(217)
• Decrease (increase) in Trade and other payables	**1,105**	359
Net cash provided for operating activities	**(756)**	(1,199)

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

Notes to the Financial Statements

For The Year Ended 31 December 2011

19. Subsequent Events

In February 2012, wholly owned subsidiary, Australian Zirconia Ltd, received a research and development taxation offset receipt of $709,000.

On 1 March 2012, the Company announced a three stage capital raising of approximately $107 million comprising:

- up to $30 million through a partially underwritten 1 for 10 non-renounceable entitlement offer of fully paid ordinary shares in Alkane at $1.10 per new share;
- $44 million from a placement of approximately 40.3 million Alkane shares at $1.10 per new share to professional and sophisticated investors within Alkane's 15% placement capacity; and
- $33 million, subject to shareholder approval, from a placement of approximately 30 million Alkane shares at $1.10 per new share to professional and sophisticated investors.

On 14 March 2012, the first placement was completed with the issue of 40,300,000 ordinary fully paid shares in the Company. On the same date the offer documentation for the non-renounceable entitlement offer was despatched to eligible shareholders along with a notice of general meeting (to be held on 16 April 2012) to seek shareholder approval for the second placement.

Also, subsequent to year end, the Group has negotiated certain Put Options with landowners that may be potentially affected by proposed development plans. Under the terms of these agreements those landowners may elect to require the Group to purchase specific properties at independent valuation.

20. Earnings per Share ("Eps")

		Consolidated	
		2011	2010
		$	$
(a)	**Basic profit per share**		
	Profit attributable to the ordinary equity holders of the Company	**(0.01)**	0.03
		2011	2011
		$'000	$'000
(b)	**Earnings used in calculating earnings per share**		
	Profit attributable to the ordinary equity holders of the Company	**(2,787)**	7,789
		2011	2011
		Number	Number
(c)	The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**266,398,021**	249,028,156

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

21. Commitments

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Group will be required to outlay in 2011 amounts of approximately $994,000 (2011 $1,072,000) 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.

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

	Consolidated	
	2011	2010
	$'000	$'000
Within one year	**994**	1,072
Later than one year but less than five years	**1,064**	-
Later than five years	**1,312**	-
	3,370	1,072

Notes to the Financial Statements

For The Year Ended 31 December 2011

21. Commitments (Continued)

Acquisitions of property, plant and equipment

In anticipation of development approvals for the Tomingley Gold Project, the Group initiated orders for certain long lead capital items. Commitments for acquisitions of property, plant and equipment not recognised as a liability in the financial statements are as follow:

	Consolidated	
	2011	2010
	$'000	$'000
Within one year		
Acquisitions of capital equipment	**4,066**	-

Physical gold delivery commitments

The Group is exposed to movements in the gold price. As part of the risk management policy of the Group and in compliance with the conditions required by the Group's financier, the Group enters into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold. It is management's intention to settle each contract through physical delivery of gold.

The gold forward sale contracts disclosed below do not meet the criteria of financial instruments for accounting purposes on the basis that they meet the normal purchase/sale exemption because physical gold will be delivered into the contract. Accordingly, the contracts will be accounted for as sale contracts with revenue recognised once the gold has been delivered or the contracts are rolled over.

31 December 2011	**Gold for physical delivery ounces**	**Contracted gold sale price – average cost in $**	**Value of committed sales $'000**
Within one year:			
Fixed forward contracts	**90,000**	1,444.10	129,969

The Group has no other gold sale commitments. There were no gold sale commitments at the end of the previous year.

The Group has a contingent liability of the difference between the hedge price and the spot price of gold if the Tomingley project does not receive development approval from the NSW government.

22. Financial Risk Management

Overview:

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

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

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

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

(a) Credit risk:

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

(i) Investments:

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

Notes to the Financial Statements

For The Year Ended 31 December 2011

22. Financial Risk Management (Continued)

(a) Credit risk (Continued):

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

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

Exposure to credit risk:
The carrying amount of the Group's financial assets represents the maximum credit exposure.

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

	Consolidated Carrying amount	
	2011	2010
	$'000	$'000
Cash and cash equivalents	**9,805**	4,555
Trade and other receivables	**686**	437
Other financial assets	**2**	3
Security deposits	**519**	512
Total exposure	**11,012**	5,507

Impairment losses:
None of the Group's other receivables are past due (2010: nil).

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

	Consolidated Carrying amount	
	2011	**2010**
	$'000	**$'000**
Balance at 1 January	**3**	3
Sold during the year	**-**	-
Impairment loss/(write-back) recognised	**(1)**	-
Balance at 31 December	**2**	3

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

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

Notes to the Financial Statements

For The Year Ended 31 December 2011

22. Financial Risk Management (Continued)

(b) Liquidity risk (continued):

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

	Weighted Average Effective Interest Rate %	Variable Interest $'000	Fixed Maturity Date Less than 1 year $'000	Fixed Maturity Date 1 to 2 years $'000	Non-interest Bearing $'000	Total $'000
2011						
Financial assets						
Cash	**5.00**	**9,785**	**-**	**-**	**20**	**9,805**
Interest bearing deposits	**4.95**	**509**	**-**	**-**	**10**	**519**
Investments	**-**	**-**	**-**	**-**	**2**	**2**
Receivables	**-**	**-**	**-**	**-**	**686**	**686**
		10,294	**-**	**-**	**718**	**11,012**
Financial liabilities						
Accounts payable	**-**	**-**	**-**	**-**	**(2,102)**	**(2,102)**
		-	**-**	**-**	**(2,102)**	**(2,102)**
2010						
Financial assets						
Cash	5.57	4,542	-	-	13	4,555
Interest bearing deposits	5.05	502	-	-	10	512
Investments	-	-	-	-	3	3
Receivables	-	-	-	-	437	437
		5,044	-	-	463	5,507
Financial liabilities						
Accounts payable	-	-	-	-	(996)	(996)
		-	-	-	(996)	(996)

(c) Market Risk:

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

(i) Currency risk:

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

(ii) Price Risk

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

The table below summarises the impact of increases/decreases of the securities prices on the Group's and the Company's profit for the year and on equity. The analysis is based on the assumption that the price of securities increased/decreased by 80% (2010 – 80%) with all the other variables held constant.

Consolidated	**Profit or loss**		**Equity**	
	Increase $'000	**Decrease $'000**	**Increase $'000**	**Decrease $'000**
31 December 2011 – 80% change	**-**	**-**	**2**	**(2)**
31 December 2010 – 80% change	-	-	2	(2)

Notes to the Financial Statements

For The Year Ended 31 December 2011

22. Financial Risk Management (Continued)

(c) Market Risk (continued):

(iii) Interest rate risk:

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

	Consolidated Carrying Amount	
	31 December 2011 $'000	31 December 2010 $'000
Fixed rate instruments		
Financial assets	**-**	-
Variable rate instruments		
Financial assets	**11,012**	5,507

Fair value sensitivity analysis for fixed rate instruments:

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

Fair value sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

Consolidated	**Profit or loss**		**Equity**	
	100 bp increase $'000	**100 bp decrease $'000**	**100 bp increase $'000**	**100 bp decrease $'000**
31 December 2011				
Financial assets	**110**	**(110)**	**110**	**(110)**
31 December 2010				
Financial assets	55	(55)	55	(55)

Net Fair value

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

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

	Consolidated	
	2011 $'000	2010 $'000
23. Auditors remuneration		
Amount received or due and receivable by the auditor for:		
a) **Audit services**		
Audit and review of financial reports under the Corporations Act 2001	**48**	43
b) **Non Audit services**		
Income tax return preparation	**9**	4
Total remuneration of auditors	**57**	47

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

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

Directors' Declaration

In the opinion of the Directors of Alkane Resources Ltd:

a) the financial statements and notes set out in preceding pages are in accordance with the Corporations Act 2001 including:

   i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 December 2011 and of their performance for the financial year ending on that date; and

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

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

c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

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

D I Chalmers
Director
Perth, 23 March 2011

ROTHSAY

Level 18, Central Park Building, 152-158 St Georges Terrace, Perth WA 6000
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 6364 5076 www.rothsay.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALKANE RESOURCES LTD

We have audited the accompanying financial report of Alkane Resources Ltd (the Company") which comprises the statement of financial position as at 31 December 2011 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Audit opinion

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

a) (i) giving a true and fair view of the Company's and the group's financial position as at 31 December 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the Corporations Regulations 2001; and

b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the remuneration report included in the Directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Audit Opinion

In our opinion the Remuneration Report of Alkane Resources Ltd for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Frank Vrachas
Partner

Dated 23 March 2012