

# **Alkane Resources Ltd**

ACN 000 689 216

## **Interim Financial Report**

**for the**

**Half-Year ended 30 June 2009**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2008 and any public announcements made by Alkane Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

# Alkane Resources Ltd

ACN 000 689 216

## Directors' Report

Your directors present their report on the consolidated entity consisting of Alkane Resources Ltd ('the Company') and the entities it controlled at the end of, or during, the half-year ended 30 June 2009.

### Directors

The names of directors of the Company in office during the whole of the half-year and up to the date of this report are:

John S F Dunlop	Non-Executive Chairman
D Ian Chalmers	Managing Director
Ian R (Inky) Cornelius	Non-Executive Director
A D (Tony) Lethlean	Non-Executive Director
Ian J Gandel	Non-Executive Director

### Review and Results of Operations

A summary of consolidated revenues and results of the Company's operations for the half-year by significant industry segments is as follows:

#### Financial

	Segment Revenue		Segment result	
	2009	2008	2009	2008
	\$	\$	\$	\$
Minerals exploration – Australia	379,527	560,643	(875,844)	(453,901)
Other	142,580	315,365	142,580	315,365
Total continuing operations	<u>522,107</u>	<u>876,008</u>	<u>(733,264)</u>	<u>(138,536)</u>
Unallocated expenses				-
Profit (loss) before income tax expense			(733,264)	(138,536)
Income Tax expense			-	-
Profit (loss) for the half-year			<u>(733,264)</u>	<u>(138,536)</u>
Less profit attributable to minority interests			-	-
Profit (loss) attributable to members of Alkane Resources Ltd			<u>(733,264)</u>	<u>(138,536)</u>

In accordance with the new accounting standard AASB132 *Financial Instruments* the Company has measured available-for-sale financial assets at fair value. These non-current assets represent the investment in BC Iron Ltd at the fair value at 30 June 2009.

### Exploration and Development Activities

The Company continues to be actively involved in mineral exploration and development, focussing primarily on gold projects at Tomingley, NSW, a zirconia project near Dubbo, NSW and various other exploration projects in New South Wales.

A Definitive Feasibility Study for the development of the Tomingley Gold Project was commenced in 2007 and is scheduled for completion in October 2009 and the Preliminary Environment Assessment was lodged with the NSW Department of Planning in July 2009.

A Demonstration Pilot Plant (DPP) has been constructed as part of the Definitive Feasibility Study for the development of the Dubbo Zirconia Project. The DPP, which was commissioned in 2008, is designed to test the complete flowsheet for the project, providing process and engineering data and also sample product to assist in marketing studies.

The Company's other exploration interests include the Orange District Exploration Joint Venture in which Newmont Australia Limited (who are managers and operators) have earned a 51% interest, the Wellington Copper/Gold Project and several other New South Wales projects.

# Alkane Resources Ltd

## Directors' Report (continued)

### Dividends

No dividends have been provided for or paid by the Company during the half-year.

### Changes in State of Affairs

During the half year there was no significant change in the Company's state of affairs other than that referred to in the half-year financial statements or notes thereto.

### AUDITORS' INDEPENDENCE DECLARATION

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

#### Lead auditor's independence declaration under Section 307C of the Corporations Act

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 has been:

- no contraventions of the auditor independence requirements of the Act in relation to the review of the half-year ended 30 June 2009 financial statements; and
- no contraventions of any applicable code of professional conduct in relation to the review.

Graham Swan (Lead auditor)  
Rothsay Chartered Accountants  
26 August 2009

This report is made in accordance with a resolution of the directors

Dated this 26<sup>th</sup> day of August 2009.

On behalf of the Directors



D Ian Chalmers  
Director

# ROTHSAY

Level 18, 6 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001  
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

## Independent Review Report to the Members of Alkane Resources Ltd

We have reviewed the accompanying half-year financial report of Alkane Resources Ltd, which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cashflow statement, for the half year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### Directors' Responsibility

The Company's directors are responsible for the preparation and true and fair presentation of the financial report in accordance with 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Auditor of an Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented in all material respects, in accordance with Accounting Standard AASB 134: *Interim Financial Reporting*.

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

### Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

### Statement

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial report of Alkane Resources Ltd does not fairly present, in all material respects the financial position of the company as at 30 June 2009 and of its performance and cash flows for the half-year ended on that date in accordance with Accounting Standard AASB134: *Interim Financial Reporting*.



Rothsay



Graham Swan  
Partner

Dated 26 August 2009



Chartered Accountants

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

# Alkane Resources Ltd

## Directors' Declaration

For the half-year ended 30 June 2009

The directors declare that:

- (a) In the directors' opinion, the attached half year financial report is in accordance with the Corporations Act 2001; and
- (b) The attached financial report complies with Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (c) The attached financial report gives a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half year ended on that date; and
- (d) In the directors' opinion there are reasonable grounds to believe that Alkane Resources Ltd will be able to pay its debts as and when they become due and payable.

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



D Ian Chalmers  
Director

PERTH, 26 August 2009

## Alkane Resources Ltd

### Consolidated statement of comprehensive income

For the half-year ended 30 June 2009

	Note	Half-year ended 30 Jun 2009 \$	Half-year ended 30 Jun 2008 \$
Revenue from continuing operations		522,107	876,008
Depreciation expense		(23,152)	(22,580)
Directors' consulting		(142,976)	(155,064)
Exploration written off		(128,614)	(118,343)
Exploration provision		(138,806)	(34,100)
Amortisation expense		(360,796)	-
Officers/Employee benefits expense		-	(243,758)
Other expenses from continuing operations		(461,027)	(440,699)
Profit (loss) before income tax		<u>(733,264)</u>	<u>(138,536)</u>
Income tax expense		-	-
Profit (loss) for half-year		<u>(733,264)</u>	<u>(138,536)</u>
<b>Other comprehensive income</b>			
Changes in the fair value of quoted shares		<u>8,370,000</u>	<u>716,764</u>
<b>Other comprehensive income for the half- year</b>		<u>8,370,000</u>	<u>716,764</u>
<b>Total comprehensive income for the half -year</b>		<u>7,636,736</u>	<u>578,228</u>
Profit (loss) attributable to minority interests		-	-
Profit (loss) attributable to members of Alkane Resources Ltd		<u>(733,264)</u>	<u>(138,536)</u>
Total comprehensive income attributable to minority interests		-	-
Total comprehensive income attributable to members of Alkane Resources Ltd		<u>7,636,736</u>	<u>578,228</u>
Basic earnings per share for loss attributable to the ordinary equity holders of the Company	2	(0.0030)	(0.0006)

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

## Alkane Resources Ltd

### Consolidated statement of financial position

As at 30 June 2009

	Note	Half-year 30 Jun 2009 \$	Annual Report 31 Dec 2008 \$
<b>Current Assets</b>			
Cash and cash equivalents	3	4,376,110	8,324,003
Receivables		276,592	756,389
Available for sale financial assets		3,750	1,140
Other financial assets		492,468	469,693
<b>Total Current Assets</b>		5,148,920	9,551,225
<b>Non-Current Assets</b>			
Available for sale financial assets		10,080,000	1,710,000
Property, plant & equipment		1,090,466	1,015,048
Other – tenements exploration and development		28,913,302	25,035,092
<b>Total Non-Current Assets</b>		40,083,768	27,760,140
<b>Total Assets</b>		45,232,688	37,311,365
<b>Current Liabilities</b>			
Payables		1,511,569	1,241,653
Provisions		70,010	61,220
<b>Total Current Liabilities</b>		1,581,579	1,302,873
<b>Non-Current Liabilities</b>			
Provisions		143,105	137,224
<b>Total Non-Current Liabilities</b>		143,105	137,224
<b>Total Liabilities</b>		1,724,684	1,440,097
<b>Net Assets</b>		43,508,004	35,871,268
<b>Equity</b>			
Contributed equity	4	60,121,618	60,121,618
Reserves		10,718,006	2,348,006
Accumulated losses		(27,449,188)	(26,715,979)
		43,390,436	35,753,645
Minority interests		117,568	117,623
<b>Total Equity</b>		43,508,004	35,871,268

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

## Alkane Resources Ltd

### Consolidated statement of changes in equity

For the half- year ended 30 June 2009

		Attributable to members of Alkane Resources Ltd				
Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Minority Interest \$'000	Total equity \$'000
Balance at 1 January 2008		50,804	14,477	(26,698)	117	38,700
Total comprehensive income for the half year		-	717	(139)	-	578
<b>Transactions with owners in their capacity as owners:</b>						
Contributions of equity, net of transaction costs		8,504	-	-	-	8,504
Share options expenses		-	244	-	-	244
Shares issued on exercise of options		-	(89)	-	-	(89)
Balance at 30 June 2008		59,308	15,349	(26,837)	117	47,937
<hr/>						
Consolidated	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Minority Interest \$'000	Total equity \$'000
Balance at 1 January 2009		60,122	2,348	(26,716)	117	35,871
Total comprehensive income for the half year		-	8,370	(733)	-	7,637
<b>Transactions with owners in their capacity as owners:</b>						
Contributions of equity, net of transaction costs		-	-	-	-	-
Share options expenses		-	-	-	-	-
Shares issued on exercise of options		-	-	-	-	-
Balance at 30 June 2009		60,122	10,718	(27,449)	117	43,508

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

# Alkane Resources Ltd

## Consolidated Statement of Cash Flows

For the half-year ended 30 June 2009

	Note	Half-year ended 30 Jun 2009 \$	Half-year ended 30 Jun 2008 \$
<b>Cash Flows from Operating Activities</b>			
Rent received		15,448	18,897
Other income		7,738	26,326
Interest received		142,580	315,365
Goods and service tax receipts		115,282	38,466
Payments to suppliers and contractors (inclusive of goods and services tax)		(878,801)	(1,063,273)
<b>Net cash (outflow) from operating activities</b>		(597,753)	(664,219)
<b>Cash Flows from Investing Activities</b>			
Outflow for purchases of property, plant & equipment		(98,569)	(211,411)
Outflow for exploration expenditure		(4,449,203)	(4,650,114)
Outflow for development expenditure		(57,233)	-
Outflow for equity investments		-	-
Proceeds from sale of equity investments		-	-
Proceeds from sale of fixed assets		-	-
Outflows from term and security deposits		(22,775)	(13,870)
Inflows from term and security deposits		-	-
(Increase)/ Decrease in exploration debtors		512,859	(57,320)
Increase/(Decrease) in exploration creditors		408,431	261,511
<b>Net cash (outflow) from investing activities</b>		(3,706,480)	(4,671,204)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		-	8,438,199
Costs of share issues		-	(23,572)
Grant received		356,340	361,928
<b>Net cash inflow from financing activities</b>		356,340	8,776,555
<b>Net Increase (Decrease) in cash and cash equivalents</b>		(3,947,893)	3,441,132
Cash and cash equivalents at the beginning of the half- year		8,324,003	6,706,623
<b>Cash and cash equivalents at the end of the half-year</b>		4,376,110	10,147,755

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

# Alkane Resources Ltd

## Notes to the Financial Statements

For the Half-year Ended 30 June 2009

### 1. a. Basis of preparation of half-year report

This general purpose financial report for the interim half-year reporting period ended 30 June 2009 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2007 and any public announcements made by Alkane Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies are consistent with those of the previous financial year.

### b. Other Changes in Accounting Policy

Since 1 January 2009, the Company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2008. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company:

- *AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101*
- *AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8*
- *AASB 2008-1 Amendments to Australian Accounting Standards Share-based Payments: Vesting conditions and cancellations*
- *AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3*
- *AASB 2008-5 and 2008-6 Amendments to Australian Accounting Standards arising from the Annual Improvements Projects*

The Company has elected not to early adopt any new standards or amendments.

### c. Available-for-sale financial assets.

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised as a separate component of equity. The fair value of available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date.

# Alkane Resources Ltd

## Notes to the Financial Statements

For the Half-Year ended 30 June 2009

### 2. Earnings per share

	Half-year ended 30 Jun 2009	Half-year ended 30 Jun 2008
Basic earnings per share - dollars	\$(0.0030)	\$(0.0006)
Diluted earnings per share is not materially different from Basic earnings per share		
The weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	244,634,162	241,516,575

### 3. Reconciliation of cash

For the purposes of this statement of cash flows, cash includes

	Half-year 30 Jun 2009 \$	Annual Report 31 Dec 2008 \$
Cash at the end of the half-year as shown in the statement of cash flows is reconciled to the related items in the accounts as follows:		
Cash on hand and at bank	4,128,473	6,081,482
Deposits at call	247,637	2,242,521
	<b>4,376,110</b>	<b>8,324,003</b>

### 4. Equity securities at the end of and issued during the current half-year

	Half-year ended 30 Jun 2009 Number	Half-year ended 30 Jun 2008 Number	Half-year ended 30 Jun 2009 \$	Half-year ended 30 Jun 2008 \$
Movements in issued capital				
Opening balance	244,634,162	215,888,726	61,247,362	51,902,846
Rights underwriting	-	25,783,436	-	8,250,700
Exercise of options issued to consultants, exercisable at 25c	-	750,000	-	187,500
Transfer from share based payment reserve on exercise of options	-	-	-	89,462
Closing balance at end of half year	<b>244,634,162</b>	<b>242,422,162</b>	<b>61,247,362</b>	<b>60,430,508</b>
Less: Cost of issue		-	<b>(1,125,744)</b>	<b>(1,122,712)</b>
As per balance sheet	<b>244,634,162</b>	<b>242,422,162</b>	<b>60,121,618</b>	<b>59,307,796</b>

## Alkane Resources Ltd

### Notes to the Financial Statements

For the Half-Year ended 30 June 2009

5. **Exploration, evaluation and development expenditure**

	Half year ended 30 June 2009 \$	Half year ended 30 June 2008 \$
Exploration and evaluation expenditures brought forward in respect of areas of interest	25,035,092	18,245,597
Expenditure during financial period	4,449,203	4,650,114
Less expensed to profit or loss	(628,216)	(151,316)
Balance as on 30 June	28,856,079	22,744,395
Development expenditure brought forward in respect of areas of interest	-	-
Expenditure during the period	57,223	-
Balance as on 30 June	57,223	-
Total exploration, evaluation and development expenditure	28,913,302	22,744,395

6. **Commitments for expenditure**

**Mineral tenement leases**

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2009 amounts of approximately \$1,085,000 (2008 \$1,049,000) in respect of tenement lease rentals, exploration expenditures and mining lease work commitments to meet the minimum expenditure requirements of the New South Wales Department of Primary Industries. These obligations will be fulfilled in the normal course of operations.

7. **Segmental Information**

The economic entity operates predominantly in one geographic location. The operations of the economic entity consist of mining and exploration for gold, zirconia and other minerals within Australia.

8. **Events occurring after the balance sheet date**

No matter or circumstance has arisen since the end of the half-year which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company as reported to the half-year ended 30 June 2009.