

ASX and MEDIA RELEASE

26 August 2020



ASM Demerger – Australian Taxation Information and Ineligible Foreign Shareholder Outcome

ATO Class Ruling for Australian Resident shareholders

Alkane Resources Limited (Alkane) (ASX: ALK) is pleased to advise that the Australian Taxation Office has today issued Class Ruling 2020/44 (Class Ruling) with respect to the tax implications of the Demerger of Australian Strategic Materials Limited (ASM) for Australian resident shareholders of Alkane.

The Class Ruling confirms that the receipt of ASM shares pursuant to the Demerger is not taxable for Australian resident Alkane shareholders that held their Alkane shares on capital account for tax purposes. Australian resident shareholders will be sent a letter providing further detail on the Class Ruling to assist in calculating the tax cost base allocation of Alkane and ASM shares. A copy of the shareholder letter is attached to this announcement. The Class Ruling can be found on the Alkane website (www.alkane.com.au).

A guide to the general tax implications of the demerger is set out in Section 9 of the Demerger Booklet dated 17 June 2020.

Ineligible Foreign Shareholders

Pursuant to the terms of the ASM Demerger, ASM shares allocated to Ineligible Foreign Shareholders were transferred to the Sale Agent, which sold the shares on market as directed. A total of 178,362 ASM shares were sold via this method and net proceeds of approximately \$1.25 per share will be transferred to Ineligible Foreign Shareholders via Alkane's share registry.

This document has been authorised for release to the market by Nic Earner, Managing Director.

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26 August 2020

Dear Alkane Shareholder

**ALKANE RESOURCES LIMITED DEMERGER OF AUSTRALIAN STRATEGIC MATERIALS LIMITED
AUSTRALIAN TAXATION INFORMATION**

As you are aware, Alkane Resources Limited (Alkane) recently completed the demerger of Australian Strategic Materials Limited (ASM).

A general outline of the Australian taxation implications of the demerger for Australian shareholders participating in the Demerger is set out in Section 9 of the Notice of Meeting dated 17 June 2020 and is available on the Alkane's website (www.alkane.com.au). In this regard, the Australian Taxation Office (ATO) recently released Class Ruling CR 2020/44 (which is also available on the Alkane Resources website) confirming the availability of demerger tax relief in respect of the demerger of ASM for Australian shareholders that held their Alkane shares on capital account for tax purposes.

Australian tax legislation requires that for Australian capital gains tax purposes, whether or not Australian shareholders choose demerger tax relief, they must apportion the first element of the cost base and reduced cost base of their Alkane shares between their Alkane and ASM shares held after the Demerger. In making the apportionment, regard must be had to the market values of those shares (or a reasonable approximation thereof) after the Demerger.

This letter provides information to enable Australian shareholders to accurately allocate the first element of the cost base and reduced cost base of their Alkane shares between their Alkane and ASM shares.

In the class ruling, the ATO confirmed their acceptance of a reasonable apportionment being based on the volume weighted average prices (VWAP) of the Alkane shares and the ASM shares. The VWAP calculation set out below has been ascertained by reference to the trading of the shares on the Australian Securities Exchange over the first five trading days after the Demerger Effective Date, when both ASM and Alkane were trading concurrently, being Thursday 30 July 2020 to Wednesday 5 August 2020 inclusive. Shareholders that apportion the first element of the cost base and reduced cost base of their shares on this basis will adopt the methodology which is consistent with the approach accepted by the ATO.



The VWAP and relative market values for Alkane and ASM shares were as follows:

	VWAP \$	Shares on issue	Market value \$	Relative market value (%)
Alkane fully paid shares	1.19413	595,248,891	710,786,701	83.97
ASM fully paid shares	1.13962	119,049,778	135,669,127	16.03
TOTAL			846,455,828	100.00%

The first element of the cost base and reduced cost of your Alkane shares would therefore be allocated 83.97% to your Alkane Resources shares and 16.03% to your ASM shares after the Demerger.

The following is provided as an illustrative example of how to calculate your cost bases:

Brendan held 10,000 Alkane shares that had an aggregate cost base of \$5,000, just before the Demerger. He received 2,000 ASM shares under the Demerger.

The cost bases of the shares held by Brendan would be calculated as follows:

Alkane

$$\$5,000 \times 83.97\% = \$4,198.50$$

$$\$4,198.50 / 10,000 \text{ shares} = \$0.41985 \text{ per share}$$

ASM

$$\$5,000 \times 16.03\% = \$801.50$$

$$\$801.50 / 2,000 \text{ shares} = \$0.40075 \text{ per share}$$

As indicated in the Notice of Meeting dated 17 June 2020, it is recommended that all Alkane shareholders consult with their own independent taxation advisers regarding the taxation implications of participating in the Demerger given the particular circumstances that apply to them.

Yours sincerely

Dennis Wilkins
Company Secretary
Alkane Resources Limited