ALKANE RESOURCES LTD
ACN 000 689 216

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR
ENDED 31 DECEMBER 2014

This interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual financial report for the year ended 30 June 2014 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.

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Directors' Report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Alkane Resources Ltd (ACN 000 689 216) and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

DIRECTORS
The following persons were Directors of Alkane Resources Ltd during the whole of the half-year and up to the date of this report:
J S F Dunlop (Chairman)
D I Chalmers
I J Gandel
A D Lethlean

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

DIVIDENDS
No dividends have been paid by the Group during the half-year ended 31 December 2014, nor have the Directors recommended that any dividends be paid.

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

Result for the year
The group's net profit for the period after tax was $3,337,000 (31 December 2013: $4,071,000). The result includes a profit before tax of $7,793,000 in relation to the Tomingley Gold Operation which was in operation for the full reporting period. The operation incurred a loss of $4,695,000 for the 6 months ended 31 December 2013 when production had not yet commenced.

Operations – Tomingley Gold Operation

The gold operations at Tomingley are based on a 830,000 ounce gold resource approximately 50 kilometres south-west of Dubbo in the Central West of NSW (Refer ASX announcement 5 September 2014). The operation is currently based on three gold deposits – Wyoming One, Wyoming Three and Caloma One. The recently defined Caloma Two resource is being incorporated into the open pit development schedule, combined with a strategic review to maximise the financial return and mine life. This will include potential for underground operations on all resources.

Mining continued in the Caloma One and Wyoming Three pits during the period with the majority of effort exerted in the Caloma One pit. 3.1M bcm of waste and 0.3M bcm of ore were mined at an average stripping ratio of 9.3.

Ore reconciliations remain positive for the combined pits year to date with total recovered ounces still reporting over 30% greater than for the modelled resources. This trend slowed in the Caloma One pit during the December quarter as it transitions from fresh to oxide ore with milled tonnes reconciling about 13% greater and the milled grade about 3% greater than the reserve.

Milling for the period was in line with design capacity at 596,982 with material milled predominately oxide ore. This is expected to reduce to an annual rate of 1 million tonnes per annum as a greater proportion of fresh material is milled. Gold recovery improved to 94.9% from 91.4% in the prior period as the processing plant stabilised from May 2014 following completion of the processing plant ramp up.

Production for the half year was 41,537 ounces at an all in sustaining cost of $991 per ounce. It is expected that unit costs will be higher in the second half of the year as the operation transitions to fresh material and whilst some lower grade ore blocks are mined, before reducing as higher grade ore blocks are scheduled.

Estimated production guidance for the year to 30 June 2015 was increased from 60,000 - 70,000 ounces to 65,000 - 75,000 ounces (refer ASX announcement 28 January 2015).

Directors' Report

REVIEW OF OPERATIONS (continued)

The table below summarises the key operational information for the operation.

Production	**Unit**	**6 Months Ended 31 December 2014**	**Commencement date to 30 June 2014**
Ore mined	bcm	330,181	316,686
Waste mined	bcm	3,067,914	4,635,684
Stripping ratio	ratio	9.3	14.6
Ore mined	tonnes	689,735	545,550
Grade mined (2)	grams/tonne	1.82	1.42
Ore milled	tonnes	596,982	359,096
Head grade	grams/tonne	2.26	2.24
Gold recovery	%	94.9	91.4
Gold production (3)	ounces	41,537	20,711
Gold sales	ounces	40,234	16,374
Average sales price realised	A$/ounce	1,415	1,421
Sales revenues	A$ millions	56.9	23.3
AISC (1)	A$/ounce	991	1,604
Ore stockpiles	tonnes	301,326	185,701
Stockpile grade (2)	grams/tonne	1.05	1.37
Bullion on hand	ounces	5,611	4,386

(1) AISC = All in Sustaining Cost comprises all site operating costs, royalties, mine exploration, sustaining capex, mine development and an allocation of corporate costs, on the basis of ounces produced. AISC does not include share based payments or net realisable value provision for ore inventory.

(2) Based on the resource model. Both actual tonnes and grade mined are currently over reconciling significantly compared to the resource model as mentioned above.

(3) Represents gold poured at site, not adjusted for refining adjustments which results in minor differences between the movement in bullion on hand and the difference between production and sales.

Development – Dubbo Zirconia Project

Alkane Resources Ltd's subsidiary, Australian Zirconia Limited (AZL), is developing the Dubbo Zirconia Project (DZP), a potential strategic supply of critical minerals for a range of 'high-tech' and sustainable technologies. It is based on a large resource of zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements, located at Toongi, 30 kilometres south of the large regional centre of Dubbo in the Central West of NSW.

The DZP is a unique, long-life asset with a potential mine life of 70 plus years. Unlike many projects of this kind, it is a polymetallic deposit providing potential revenue from multiple product streams.

Subsequent to year end, Alkane Resources Ltd received advice that the Planning Assessment Commission (PAC) has completed its review of the DZP in accordance with the Minister of Planning and Environment's terms of reference. The PAC has recommended that the project can be approved subject to certain conditions. The PAC has also made a number of recommendations that must be considered by the Department of Planning and Environment (DPE) before the development application is determined. This is a major milestone in the approvals process (refer to ASX announcement dated 11 February 2015).

Alkane Resources Ltd has further been advised that the DPE is currently finalising its assessment, including recommended conditions of consent. Once this assessment is complete, the DPE will forward the application to the PAC for determination.

A new Mining Lease application (MLA) was lodged with NSW Department of Trade and Investment, Division of Resources and Energy (DRE). The MLA covers 2,433 hectares and incorporates all of the land area for the operation as detailed in the Environmental Impact Statement.

Hatch are continuing the Front End Engineering Design (FEED) to deliver capital and operating cost estimates to a target +/- 10% accuracy with a detailed schedule for the project, building on the work of the Definitive Feasibility Study (DFS) released to the market in April 2013.

Directors' Report

REVIEW OF OPERATIONS (continued)

Process engineering design is complete, as is the plant layout. Several significant process improvements are now included in the design. These include improvements for water management and waste treatment. Other discipline engineering continue to progress.

The tender packages for the supply of plant and equipment have begun to be released to the market, with tender lists completed. Packages are of sufficient detail to allow rapid finalisation of contracts once project approval and financing are in place.

Process and product development continued for all DZP product streams in Australia and overseas to optimise recoveries and product qualities.

Promising increases in recoveries achieved for heavy and light rare earths at laboratory scale and further process improvements to the full plant design are now ready for trials at the demonstration pilot plant. Growing interest in hafnium as a separated product from zirconium has prompted a desktop review of potential process pathways to recover hafnium as an additional product for the DZP.

Marketing activities continued throughout the period with dispatch of further samples, plus meetings with major companies from Europe, Japan, USA and China for DZP products. Significant focus continues to be applied to securing offtake partners and an agreement to toll process the separation of rare earth elements.

The financing program led by Sumitomo Mitsui Banking Corporation and Credit Suisse is progressing with the immediate focus on achieving a small strategic sale at project level and attracting the support of Export Credit Agency funding.

Exploration

Exploration was focussed on testing the gold-copper potential of the Bodangora-Kaiser projects located west of Dubbo and encouraging drill intersections have been recorded. A preliminary soil sampling program was also conducted at the Elsienora gold project (Alkane Resources Ltd earning 80% interest).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The financial position and performance of the Group was particularly affected by the following events and transactions during the six months ended 31 December 2014 when compared to the six months ended 31 December 2013:

- construction activities at the Tomingley Gold Operation completed in January 2014 and gold sales commenced in March 2014 resulting in revenue from gold sales and associated costs of sales in the current reporting period;
- the transition from construction into operations at the Tomingley Gold Operation has also resulted in a significant increase in cash flow from operations whilst the completion of construction activities has resulted in a significant decrease in outflows relating to purchases of property, plant and equipment;
- the comparative cash flow for the six month period ended 31 December 2013 also included significant inflows from the sale of available for sale financial assets, there were no sales in the current reporting period.

AUDITOR’S INDEPENDENCE DECLARATION

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

ROUNDING OF AMOUNTS

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

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

D I Chalmers
Director
Dated at Perth this 25th day of February 2015

pwc

Auditor's Independence Declaration

As lead auditor for the review of Alkane Resources Limited for the half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
25 February 2015

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Consolidated Statement of Comprehensive Income

For the half-year ended 31 December 2014

	Note	Consolidated 31 Dec 2014 $'000	31 Dec 2013 $'000
Continuing operations			
Revenue	4(a)	**56,949**	-
Other income	4(b)	**571**	12,940
Cost of sales	5(a)	**(49,182)**	(3,133)
Gross profit		**8,338**	9,807
Expenses			
Other expenses	5(b)	**(4,407)**	(5,316)
Finance charges		**(189)**	(108)
Total expenses		**(4,596)**	(5,424)
Profit before income tax		**3,742**	4,383
Income tax expense	6	**(405)**	(312)
Profit after income tax		**3,337**	4,071
Other comprehensive income			
Items that may be reclassified to profit and loss:			
Changes in fair value of available for sale investments, net of tax		**612**	63
Total comprehensive income for the period		**3,949**	4,134
Total comprehensive income for the period is attributable to:			
Owners of Alkane Resources Ltd		**3,949**	4,134
Profit is attributable to:			
Owners of Alkane Resources Ltd		**3,337**	4,071
Earnings per share attributable to the ordinary equity holders of the company:			
Basic earnings per share	18	**0.8**	1.1
Diluted earnings per share	18	**0.8**	1.1

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

Consolidated Balance Sheet
As at 31 December 2014

	Note	Consolidated 31 Dec 2014 $'000	30 June 2014 $'000
Current Assets			
Cash and cash equivalents		**18,914**	15,569
Receivables		**2,057**	4,906
Inventories	7	**15,180**	15,391
Available for sale financial assets	8	**5,819**	4,945
Total Current Assets		**41,970**	40,811
Non-Current Assets			
Property, plant and equipment	9	**94,149**	100,032
Exploration and evaluation	10	**60,273**	53,406
Other financial assets		**8,086**	6,736
Total Non-Current Assets		**162,508**	160,174
Total Assets		**204,478**	200,985
Current Liabilities			
Trade and other payables		**9,877**	13,755
Provisions	11	**1,258**	971
Total Current Liabilities		**11,135**	14,726
Non-Current Liabilities			
Provisions	11	**6,612**	6,529
Deferred tax liabilities		**7,004**	5,510
Total Non-Current Liabilities		**13,616**	12,039
Total Liabilities		**24,752**	26,765
Net Assets		**179,726**	174,220
Equity			
Contributed equity	12	**202,043**	202,243
Other reserves		**2,369**	-
Accumulated losses		**(24,686)**	(28,023)
Total Equity		**179,726**	174,220

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

Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

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

	Attributable to owners of Alkane Resources Ltd				
	Contributed equity $'000	**Available for sale reserve $'000**	**Share based payment reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
Balance at 1 July 2014	**202,243**	**-**	**-**	**(28,023)**	**174,220**
Total profit for the half year	**-**	**-**	**-**	**3,337**	**3,337**
Other comprehensive income for the half-year, net of tax	**-**	**612**	**-**	**-**	**612**
Total comprehensive income for the period	**-**	**612**	**-**	**3,337**	**3,949**
Transactions with owners in their capacity as owners:					
Share issue transactions costs	**(3)**	**-**	**-**	**-**	**(3)**
Share based payments	**-**	**-**	**1,757**	**-**	**1,757**
Deferred tax credit recognised in equity	**(197)**	**-**	**-**	**-**	**(197)**
Balance at 31 December 2014	**202,043**	**612**	**1,757**	**(24,686)**	**179,726**

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

Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

	Note	Consolidated **31 December 2014 $'000**	 31 December 2013 $'000
Cash Flows from Operating Activities			
Receipts from customers		**56,949**	-
Payments to suppliers (inclusive of GST)		**(33,987)**	(4,782)
Finance costs paid		**(75)**	-
Royalties		**(1,549)**	-
Interest received		**320**	1,391
Dividends received		**-**	452
Other income received		**250**	240
Net cash inflow / (outflow) from operating activities	17	**21,908**	(2,699)
Cash Flows from Investing Activities			
Exploration and evaluation expenditure		**(8,252)**	(5,882)
Development expenditure		**(4,821)**	-
Purchase of property, plant and equipment		**(4,137)**	(52,680)
Proceeds from sale of property, plant and equipment		**-**	94
Proceeds from sale of investments		**-**	43,599
Payments for security deposits		**(2,500)**	(3,400)
Receipts for security deposits		**1,150**	-
Net cash outflow from investing activities		**(18,560)**	(18,269)
Cash Flows from Financing Activities			
Transaction costs of issue of shares		**(3)**	-
Net cash outflow from financing activities		**(3)**	-
Net increase / (decrease) in cash and cash equivalents		**3,345**	(20,968)
Cash and cash equivalents at the beginning of the half-year		**15,569**	64,294
Cash and cash equivalents at the end of the half-year		**18,914**	43,326

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

1. Statement of Significant Accounting Policies

Basis of preparation

This condensed consolidated interim financial report for the interim half-year reporting period ended 31 December 2014 has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting.

The condensed consolidated interim financial report does not include all the notes of the type normally included in the annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2014 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 and the corresponding interim financial period, unless indicated below.

Share Based Payments

Share-based compensation benefits are provided to employees via the Alkane Resources Ltd Incentive Plans. The fair value of shares, or rights to receive shares, granted under the Incentive Plans are recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares or rights granted which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of shares or rights to shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of shares or rights to shares that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

When the rights to receive shares vest, Alkane Resources Ltd transfers the appropriate amount of shares to the employee. The proceeds received from employees, if applicable according to the terms of the Incentive Plan, net of any directly attributable transaction costs are credited directly to equity.

a) New accounting standards and interpretations

The following applicable Australian Accounting Standards have been issued or amended but are not yet effective and have not been adopted by the Group for the half-year ended 31 December 2014. The Group has not been able to fully assess the impact of these revised standards:

<u>AASB 9 Financial Instruments</u>

AASB 9 Financial Instruments (effective 1 January 2018) addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2018 but is available for early adoption. When adopted, the standard will affect in particular the group’s accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised no such gains in other comprehensive income.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

<u>IFSR 15 Revenue from contracts with customers</u>

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard is effective 1 January 2017. The group has not yet assessed impact of this new standard.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

1. Statement of Significant Accounting Policies (continued)

b) Changes to presentation – classification of expenses

Alkane Resources Ltd decided subsequent to 31 December 2013 to change the classification of its expenses in the consolidated income statement from a classification by nature to a functional classification. We believe that this will provide more relevant information to our stakeholders as it is more in line with common practice in the industries Alkane Resources Ltd is operating in, given that the group has transitioned back into operations. The comparative information has been reclassified accordingly.

2. Segmental Information

Management has determined the operating segments based on the reports reviewed by the board that are used to make strategic decisions. The group operates in one geographic segment, being Australia, and has identified two operating segments, being gold operations and the exploration and evaluation of rare metals.

31 December 2014	**Gold Operations $'000**	**Rare Metals $'000**	**Unallocated $'000**	**Group $'000**
Gold sales to external customers	**56,949**	**-**	**-**	**56,949**
Segment net profit / (loss) before income tax	**7,793**	**(119)**	**(3,932)**	**3,742**
Segment net profit / (loss) includes the following non-cash adjustments:				
Depreciation and amortisation	**(13,552)**	**-**	**(74)**	**(13,626)**
Deferred stripping costs capitalised	**4,706**	**-**	**-**	**4,706**
Exploration expenditure written off or provided for	**-**	**-**	**(438)**	**(438)**
Inventory product movement	**967**	**-**	**-**	**967**
Provision for inventory	**(1,422)**	**-**	**-**	**(1,422)**
Income tax expense	**(2,751)**	**(1,746)**	**4,092**	**(405)**
Total non-cash adjustments	**(12,052)**	**(1,746)**	**3,580**	**(10,218)**
Total segment assets	**110,192**	**68,365**	**25,921**	**204,478**
Total segment liabilities	**(10,461)**	**(12,751)**	**(1,540)**	**(24,752)**
Net assets	**99,731**	**55,614**	**24,381**	**179,726**

Other costs that do not relate to either of the operating segments, have been identified as unallocated costs. Corporate assets and liabilities that do not relate to either of the operating segments have been identified as unallocated. The treasury function is managed at a group level and therefore cash and cash equivalents have been allocated to the unallocated grouping. The group has formed a tax consolidation group and therefore tax balances have been allocated to the unallocated grouping. In the prior period, the group had identified one reportable segment, being exploration and development activities for gold and other minerals undertaken in Australia.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

3. Fair Value Measurement of Financial Instruments

Risk Management Activities

The risk management activities are consistent with those of the previous financial year unless otherwise stated.

Fair Values

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

	Carrying Amount $'000	Fair Value $'000
Financial Assets:		
Cash and cash equivalents	18,914	18,914
Receivables	2,057	2,057
Available for sale financial assets	5,819	5,819
Total Current	**26,790**	**26,790**
Other financial assets	8,086	8,086
Total Non-Current	**8,086**	**8,086**
Total	**34,876**	**34,876**
Financial Liabilities:		
Trade and other payables	9,877	9,877
Total Current	**9,877**	**9,877**

Fair value hierarchy

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

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
Assets – Level 1		
Available for sale financial assets – equity securities (note 8)	**5,819**	4,945

	Consolidated	
	31 December 2014 $'000	31 December 2013 $'000
4. (a) Revenue		
Gold sales	**56,949**	-
(b) Other Income		
Gain from disposal of investments	**-**	11,122
Interest income	**320**	1,128
Other income	**251**	690
Total other income	**571**	12,940

Gain from disposal of investments

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

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

		Consolidated	
		31 December 2014 $'000	31 December 2013 $'000
5.	**(a) Cost of sales**		
	Cash costs of production	**38,131**	8,018
	Deferred stripping costs capitalised	**(4,706)**	(4,885)
	Inventory product movement	**(967)**	-
	Provision for inventory	**1,422**	-
	Depreciation and amortisation	**13,552**	-
	Royalties and selling costs	**1,750**	-
		49,182	3,133
	(b) Other expenses		
	Corporate administration	**1,658**	1,199
	Employee remuneration and benefits	**1,227**	622
	Professional fees and consulting services	**706**	986
	Exploration expenditure provided for or written off	**438**	448
	Directors' fees and salaries expensed	**214**	274
	Peak hill site maintenance and rehabilitation	**62**	63
	Depreciation	**74**	122
	Loss from disposal of fixed assets	**28**	1,602
		4,407	5,316

Cash costs of production

Cash costs of production include ore and waste mining costs, processing costs and site administration and support costs. Cash costs of production include ($7,563,000 of employee remuneration and benefits (Dec 2013: $1,557,000)).

Deferred stripping costs capitalised

Stripping costs capitalised represents the costs incurred in the development and production phase of a mine and are capitalised as part of the cost of constructing the mine and subsequently amortised over the useful life of the ore body that access is provided to on a units-of-production basis.

Inventory movement

Inventory movement represents the movement in balance sheet inventory ore stockpile, gold in circuit and bullion on hand.

Provision for Inventory

Inventories must be carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to complete, processing and to make a sale.

6. Income Tax Expense / (Benefit)

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the half year. The reason for the lower than prima facie tax expense in the current period is predominately due to the reversal of an over provision from prior year as a result of the recognition of tax offsets as with the research and development claim for the year ended 30 June 2014 now finalised. The total research and development was $2,561,520 of which $642,249 can be utilised in the tax return for the year ended 30 June 2014 (and which is reflected as a reversal of over provision in the current year tax expense), with the remainder to be carried forward for future years.

Income tax expense for the prior period includes a research and development tax incentive of $2,464,000 relating to the income tax return for the year ended 30 June 2013.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
7. Inventory		
Ore stockpiles (at NRV)	**3,382**	6,101
Gold in circuit (at NRV)	**3,484**	3,462
Bullion on hand (at cost)	**7,481**	5,239
Consumables stores (at cost)	**833**	589
	15,180	15,391

In the prior year ended 30 June 2014 all inventory was valued at cost.

	Consolidated	
	31 December 2014 $'000	30 June 2014 $'000
8. Available for Sale Financial Assets		
Listed equity securities		
Opening balance at beginning of period	**4,945**	41,083
Disposals during the period	**-**	(43,599)
Change in fair value	**874**	11,230
Impairment charge	**-**	(3,769)
Closing balance at end of the period	**5,819**	4,945

9. Property, Plant and Equipment

31 December 2014 Cost	**Land and buildings $'000**	**Plant and equipment $'000**	**Assets under construction $,000**	**Mine properties $'000**	**Total $'000**
Opening balance - 1 July 2014	**24,737**	**67,449**	**458**	**70,373**	**163,017**
Additions	**311**	**6**	**2,678**	**4,770**	**7,765**
Transfers between asset classes	**80**	**1,125**	**(1,466)**	**261**	**-**
Disposals	**-**	**(22)**	**-**	**-**	**(22)**
Closing balance – 31 December 2014	**25,128**	**68,558**	**1,670**	**75,404**	**170,760**
Accumulated depreciation and impairment					
Opening balance - 1 July 2014	**(4,310)**	**(25,019)**	**-**	**(33,656)**	**(62,985)**
Depreciation	**(903)**	**(5,436)**	**-**	**(7,287)**	**(13,626)**
Closing balance – 31 December 2014	**(5,213)**	**(30,455)**	**-**	**(40,943)**	**(76,611)**
Carrying value – 31 December 2014	**19,915**	**38,103**	**1,670**	**34,461**	**94,149**

31 December 2013 Cost	**Land and buildings $'000**	**Plant and equipment $'000**	**Assets under construction $,000**	**Mine properties $'000**	**Total $'000**
Opening balance - 1 July 2013	12,374	1,051	41,606	2,380	57,411
Additions	3,018	94	60,837	19,226	83,175
Transfers between asset classes	9,590	68,646	(101,984)	23,748	-
Transfer from exploration and evaluation	-	-	-	25,019	25,019
Disposals	(245)	(2,342)	-	-	(2,587)
Closing balance – 30 June 2014	24,737	67,449	458	70,373	163,017

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

9. Property, Plant and Equipment (continued)

31 December 2013 Cost	Land and buildings $'000	Plant and equipment $'000	Assets under construction $,000	Mine properties $'000	Total $'000
Accumulated depreciation and impairment					
Opening balance - 1 July 2013	(2,408)	(718)	(30,107)	(1,056)	(34,289)
Disposals	-	890	-	-	890
Transfers between asset classes	-	(23,689)	30,107	(6,418)	-
Transfer from exploration and evaluation	-	-	-	(19,566)	(19,566)
Depreciation	(1,902)	(1,502)	-	(6,616)	(10,020)
Closing balance – 30 June 2014	(4,310)	(25,019)	-	(33,656)	(62,985)
Carrying value – 30 June 2014	20,427	42,430	458	36,717	100,032

10. Exploration and Evaluation

	31 Dec 2014 $'000
Opening balance at beginning of period 1 July 2014	**53,406**
Expenditure during the period	**7,305**
Amounts provided for or written off	**(438)**
Closing balance end of period 31 December 2014	**60,273**

Exploration and Evaluation

	30 June 2014 $'000
Opening balance at beginning of period 1 July 2013	45,278
Expenditure during the period	14,453
Amounts provided for or written off	(872)
Transfer to mine properties	(5,453)
Closing balance end of period 30 June 2014	53,406

11. Provisions

	Consolidated 31 December 2014 $'000	Consolidated 30 June 2014 $'000
Current Provisions		
Provision for employee benefits	**1,258**	971
Non-Current Provisions		
Provision for rehabilitation and mine closure	**6,461**	6,418
Provision for employee benefits	**151**	111
	6,612	6,529

Notes to the Consolidated Financial Statements
For the half-year ended 31 December 2014

12. Contributed Equity

	Parent entity			
	31 December 2014		30 June 2014	
Share capital	**Number**	**$'000**	Number	$'000
Ordinary shares – Fully paid	**414,218,670**	**202,043**	412,639,000	202,243
Movement in ordinary share capital				
Opening balance at 1 July	**412,639,000**	**202,243**	372,639,000	192,658
Placement of shares	**-**	**-**	40,000,000	10,400
Issue of shares to employees	**1,579,670**	**-**	-	-
Closing balance at end of period	**414,218,670**	**202,243**	412,639,000	203,058
Less: transaction costs arising on share issue	**-**	**(3)**	-	(600)
Less: deferred tax credit recognised directly in equity	**-**	**(197)**	-	(215)
Balance per Balance Sheet	**414,218,670**	**202,043**	412,639,000	202,243

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value.

13. Contingencies

As at the date of this report, there are no claims against the group that in the opinion of the directors, would have a material adverse effect on the operating results or the financial position of the group.

The group has entered into forward gold sales contracts which are not accounted for on the balance sheet. A contingent liability of $516,000 (June 2014 contingent asset $493,000) exists at the balance date in the event that the contracts are not settled by the physical delivery of gold.

14. Related Parties

(a) Parent entities
The parent entity within the group is Alkane Resources Ltd.

(b) Transactions with other related parties

Nuclear IT
Nuclear IT, a director related entity, provides information technology consulting services to the group which includes the coordination of the purchase of information technology hardware and software. The terms are documented in a service level agreement and represent normal commercial terms. The following purchases were made from Nuclear IT:

	31 Dec 2014	30 June 2014
	$	$
Purchase of computer hardware and software	**23,209**	230,798
Consulting fees and services	**12,127**	23,079
	35,336	253,877

Mineral Administration Services
During the period fees amounting to $158,000 (December 2013: $169,000) were paid to Mineral Administration Services (MAS) in which the joint company secretaries of the Group Mr LA Colless and Ms K E Brown have substantial financial interests. MAS provides administration, accounting and company secretarial services to the Group.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

15. Commitments

Exploration and Mining Lease Commitments

In order to maintain current rights of tenure to mining tenements, the Group will be required to outlay in 2015 amounts of approximately $1,193,000 (June 2014: $1,207,000) in respect of tenement lease rentals and exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in the normal course of operations.

Capital Commitments

Capital expenditure contracted for at the end of the reporting period but not recognised a liabilities is $241,000 (June 2014: $174,000).

Lease Commitments

The group leases various offices under operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	31 Dec 2014 $'000	30 June 2014 $'000
Within one year	**329**	329
Later than one year but not later than five years	**443**	447
	772	776

Physical Gold Delivery Commitments

As part of its risk management policy, the group enters into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold. The gold forward contracts disclosed below did not meet the criteria of financial instruments for accounting purposes on the basis that they met the normal purchase/sale exemption because physical gold would be delivered into the contract. Accordingly, the contracts were accounted for as sale contracts with revenue recognised in the period in which the gold commitment was met.

	Gold for Physical Delivery Ounces	**Contracted Gold Sale Price Per Ounce($)**	**Value of committed sales $'000**
30 June 2014			
Within one year:			
Fixed forward contracts	24,000	1,444	34,656
31 December 2014			
Within one year:			
Fixed forward contracts	23,500	1,438	33,793

16. Subsequent Events

Since the end of the half-year, the Directors are not aware of any matter or circumstance not otherwise dealt with in this report or mentioned in the Directors report that has significantly or may significantly affect the operations, the results, or the state of affairs of the Group.

Notes to the Consolidated Financial Statements

For the half-year ended 31 December 2014

	Consolidated	
	31 December 2014 $'000	31 December 2013 $'000
17. Reconciliation of Net Cash Inflow/(Outflow) From Operating Activities to Operating Profit After Income Tax		
Profit after tax	**3,337**	4,071
Non-cash items in operating profit:		
Depreciation and amortisation	**13,626**	122
Finance charges – non cash	**115**	-
Share-based payments	**1,536**	-
Gains recognised from disposal of investments	**-**	(11,122)
Loss recognised from disposal of assets	**28**	1,602
Exploration costs provided for or written off	**438**	448
Changes in net assets and liabilities		
Decrease in trade and other receivables	**1,934**	995
Decrease in inventories	**211**	-
(Decrease) /increase in trade and other payables	**(269)**	855
Increase in provisions	**547**	18
Decrease in tax balances	**405**	312
Net cash inflow/(outflow) from operating activities	**21,908**	(2,699)

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

18. Earnings per Share

Basic earnings per share

(a) Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	**3,337**	4,071
	2014 Number	2013 Number
(b) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**413,994,567**	372,639,000

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

Directors' Declaration

In the Directors' opinion:

a) the financial statements and notes set out on pages 5 to 17 are in accordance with the Corporations Act 2001 including:

  i) giving a true and fair view of the financial position of the Consolidated entity as at 31 December 2014 and of its performance for the half-year ended on that date; and

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

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

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

D I Chalmers
Director
Dated at Perth this 25th day of February 2015

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Alkane Resources Limited (the Company), which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Alkane Resources Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Alkane Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
25 February 2015