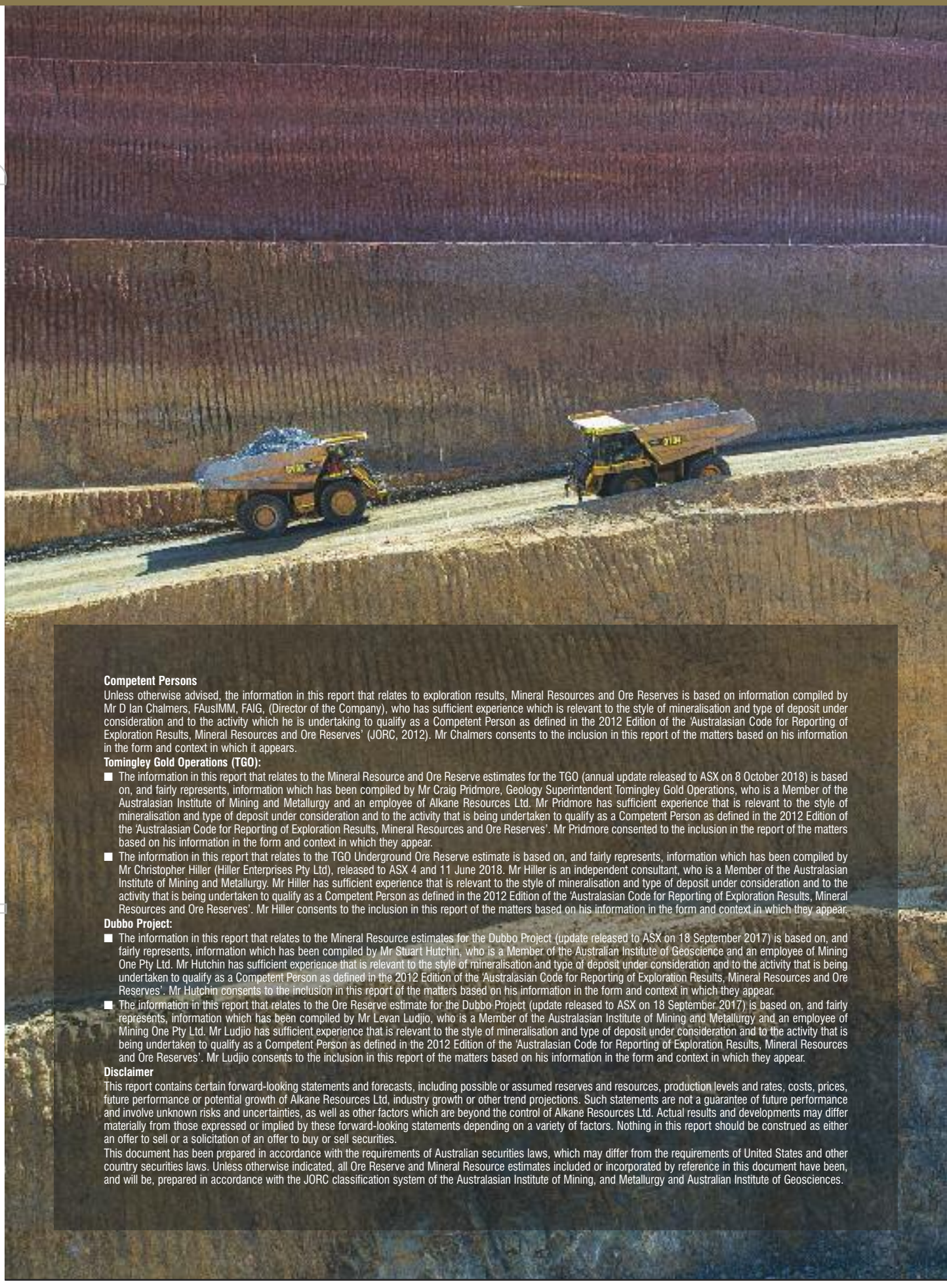
For personal use only



ALKANE
RESOURCES LTD

ANNUAL REPORT 2018

For personal use only



Competent Persons

Unless otherwise advised, the information in this report that relates to exploration results, Mineral Resources and Ore Reserves is based on information compiled by Mr D Ian Chalmers, FAusIMM, FAIG, (Director of the Company), who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC, 2012). Mr Chalmers consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Tomingley Gold Operations (TGO):

- The information in this report that relates to the Mineral Resource and Ore Reserve estimates for the TGO (annual update released to ASX on 8 October 2018) is based on, and fairly represents, information which has been compiled by Mr Craig Pridmore, Geology Superintendent Tomingley Gold Operations, who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of Alkane Resources Ltd. Mr Pridmore has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Pridmore consented to the inclusion in the report of the matters based on his information in the form and context in which they appear.
- The information in this report that relates to the TGO Underground Ore Reserve estimate is based on, and fairly represents, information which has been compiled by Mr Christopher Hiller (Hiller Enterprises Pty Ltd), released to ASX 4 and 11 June 2018. Mr Hiller is an independent consultant, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Hiller has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hiller consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

Dubbo Project:

- The information in this report that relates to the Mineral Resource estimates for the Dubbo Project (update released to ASX on 18 September 2017) is based on, and fairly represents, information which has been compiled by Mr Stuart Hutchin, who is a Member of the Australian Institute of Geoscience and an employee of Mining One Pty Ltd. Mr Hutchin has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Hutchin consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.
- The information in this report that relates to the Ore Reserve estimate for the Dubbo Project (update released to ASX on 18 September 2017) is based on, and fairly represents, information which has been compiled by Mr Levan Ludjio, who is a Member of the Australasian Institute of Mining and Metallurgy and an employee of Mining One Pty Ltd. Mr Ludjio has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ludjio consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

Disclaimer

This report contains certain forward-looking statements and forecasts, including possible or assumed reserves and resources, production levels and rates, costs, prices, future performance or potential growth of Alkane Resources Ltd, industry growth or other trend projections. Such statements are not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors which are beyond the control of Alkane Resources Ltd. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors. Nothing in this report should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities.

This document has been prepared in accordance with the requirements of Australian securities laws, which may differ from the requirements of United States and other country securities laws. Unless otherwise indicated, all Ore Reserve and Mineral Resource estimates included or incorporated by reference in this document have been, and will be, prepared in accordance with the JORC classification system of the Australasian Institute of Mining, and Metallurgy and Australian Institute of Geosciences.

For personal use only

Business Review 2

- Chairman's Report 2
- Major Projects and Operations 4
- Exploration 14
- Sustainability 18

Financial Report 25

- Director's Report 25
- Auditor's Independence Declaration 40
- Consolidated Financial Statements 43
- Notes to the Consolidated Financial Statements 47
- Directors' Declaration 75
- Independent Auditor's Report 76

Shareholder Information 82

Corporate Governance Statement 84

Tenement Schedule 85

ACN 000 689 216
ABN 35 000 689 216

DIRECTORS

I J Gandel	(Non-Executive Chairman)
N Earner	(Managing Director)
D I Chalmers	(Technical Director)
A D Lethlean	(Non-Executive Director)
G Smith	(Non-Executive Director)

COMPANY SECRETARY

D Wilkins

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Ground Floor, 89 Burswood Road, Burswood WA 6100
Telephone: 61 8 9227 5677 Facsimile: 61 8 9227 8178

SHARE REGISTRY

Advanced Share Registry Limited
110 Stirling Highway, Nedlands WA 6009
Telephone: 61 8 9389 8033 Facsimile: 61 8 9262 3723

AUDITOR

PricewaterhouseCoopers
Brookfield Place, 125 St Georges Terrace, Perth WA 6000

SECURITIES EXCHANGE LISTINGS

Australian Securities Exchange (Perth)
Ordinary fully paid shares
Code: ALK

OTCMarkets – OTCQX International
American Depositary Receipts (ADR)
Code: ANLKY

Level 1 ADR Sponsor
The Bank of New York Mellon
Depositary Receipts Division
101 Barclay Street, 22W, New York NY 10286
United States of America

INTERNET

http://www.alkane.com.au
mail@alkane.com.au

For personal use only



Welcome to Alkane Resources' Annual Report for 2018. The year has seen excellent performance in the Company's gold activities, promising exploration results, and continued preparation for developing the Dubbo Project, which will supply zirconium, hafnium, niobium and rare earth elements to the global market.

We consider the Dubbo Project a key asset for the Company. Changes in the world environment indicate the time is right for its development. Electric vehicles demand, production and sales are taking off, meaning manufacturers will be under pressure to source sufficient volumes of critical minerals. Already, manufacturers are looking to mitigate supply chain risk through diversification of supply. Whilst China will continue to be a dominant player for the foreseeable future, the Dubbo Project represents an alternative, sustainable and reliable source of materials that are in high demand – not only for electric vehicles, but also for a range of other existing and future technologies.

The Dubbo Project is construction-ready, subject to financing. The "Dubbo Project Engineering and Financials Update", released in June, outlined the substantial body of work and analysis the Company has undertaken over many years to determine the optimum implementation path and refine the processing pathways. As a result, we have a high degree of confidence that, once the Project is funded, we will be able to execute the Project to deliver value to shareholders.

We are also excited about our progress in gold over the past year. Whilst the open cuts at Tomingley are nearly completed, we have concluded evaluation of the underground deposits and plan to commence underground development at the end of this calendar year. In parallel, we have ramped up exploration activities in the broader Tomingley Gold Project area – primarily between Tomingley village and Peak Hill. We are encouraged by the mineralisation we've identified in the past year and will continue these activities, as well as other exploration activities in Central Western NSW, with the view to establishing longer-term feed for the gold processing centre at Tomingley.

In the past year, we have welcomed some new faces to the Group. I thus take this opportunity to introduce shareholders to Mr Gavin Smith, elected to the Board as a Non-Executive Director on 29 November 2017. Gavin has more than 35 years' experience in information technology, business development and general management in a wide range of industries and sectors and brings significant insight into emerging markets and international trade to the Board.

We also bid farewell to our long-standing Company Secretary, Ms Karen Brown, who retired on 29 March 2018. We thank Karen for her long service to Alkane and its subsidiaries, and wish her all the best for the future. Mr Dennis Wilkins has assumed the duties of Company Secretary and we welcome him to Alkane.

Finally, the Group's Chief Financial Officer of over five years, Mr Michael Ball, departed Alkane on 7 June 2018 to take up a role elsewhere. I thank him for his contributions and wish him all the best in his future endeavours. His replacement, who commenced 1 October 2018, is Mr James Carter. James is a CPA with over 20 years' experience in the mining industry, including many years as a Chief Financial Officer, debt and equity capital market transactions, IPOs, tax strategy, mergers and acquisitions, and corporate governance.

I extend my thanks to the entire Alkane Resources team, including strategic partners and consultants, along with our many shareholders, for their ongoing support of Alkane. We look forward to bringing you updates as to the financing and offtakes of the Dubbo Project as they further develop.

Ian Gandel
Chairman

For personal use only



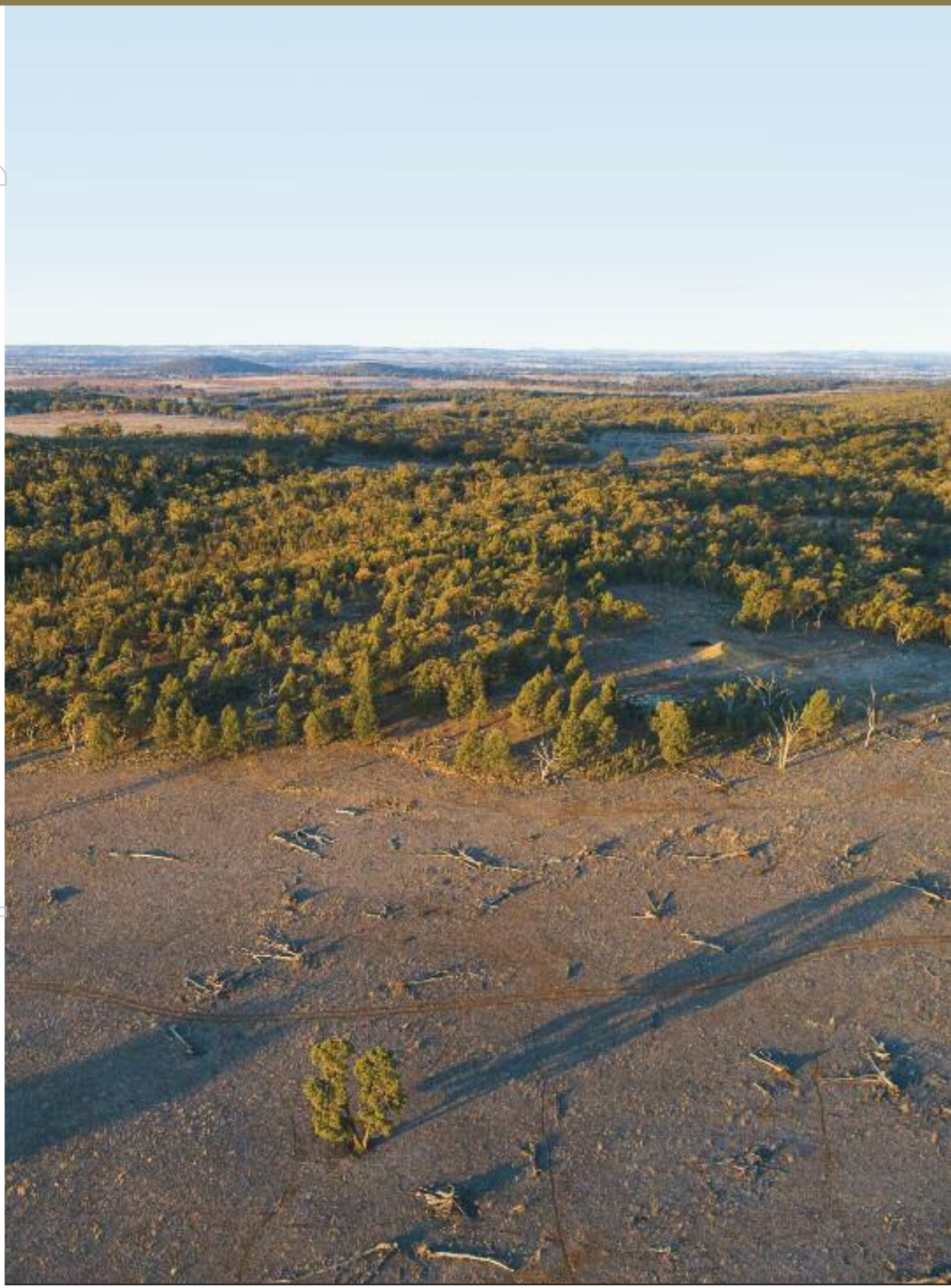
ABOUT ALKANE

Alkane Resources is a multi-commodity mining and exploration company with a focus on technology metals that are essential for a range of future sustainable technologies. It is the parent entity of the Alkane Group, which also comprises Australian Strategic Materials (ASM), Tomingley Gold Operations (TGO) and Toongi Pastoral Company. The Group's projects and operations are located in Central Western New South Wales, Australia.

The Group's most significant development is the Dubbo Project, to be operated by ASM. The Dubbo Project is based on a large in-ground resource of zirconium, hafnium, niobium and rare earth elements approximately 25km south of Dubbo. ASM stands to become a strategic long-term world producer of these materials considered critical for many future industries and sustainable technologies (including clean energy and electric vehicles). Alkane also has interests in multiple gold and copper-gold exploration projects in the region. Located 50km southwest of Dubbo, TGO has been producing gold since February 2014 and has the potential to remain a central gold processing facility for Alkane's activities in the area.

Alkane's sustainable practices include upholding stringent social and environmental standards, with the view to minimising carbon footprint and leaving a positive legacy for local communities and the land alike. To this end, Toongi Pastoral Company was established as a working farm in 2016 to manage the Dubbo Project's agricultural land and assets, along with the Project's designated biodiversity offset areas.

For personal use only



For personal use only

Alkane is committed to development of the Dubbo Project, which represents a potential long-term supply of zirconium, rare earth elements, hafnium and niobium. The gold operations at Tomingley have continued, with attention on completing open cut mining, defining underground reserves and confirming underground development economics to extend the mine life.

DUBBO PROJECT

The Dubbo Project is a large in-ground polymetallic resource of the metals zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements. It is located near the village of Toongi, 25km south of Dubbo in Central Western New South Wales, Australia, approximately 400km northwest of Sydney. Australian Strategic Materials (ASM), a wholly owned subsidiary of Alkane, intends to develop the Dubbo Project to supply globally significant quantities of zirconium and rare earth materials, as well as contribute to the niobium and emerging hafnium industries.

SIGNIFICANCE

Most of the Dubbo Project metals are critical for growing technology sectors – in particular clean energy and transportation, where they are used in high volumes. Electric vehicles, for instance, rely upon zirconium for solid oxide fuel cells and the rare earth elements praseodymium and neodymium for permanent magnets used in electric motors. Rare earth permanent magnets are also used in wind power turbines, industrial robots and efficient domestic appliances. The aerospace industry is consuming growing volumes of zirconium-based ceramics, as well as alloys containing hafnium and/or niobium for high-temperature applications.

Significantly, ASM and the Dubbo Project are independent of China, which dominates the markets for most of these products. China currently produces more than 75% of the world's zirconium and over 90% of high-value rare earth elements. Recent changes within China's manufacturing sector suggest the period of low prices and oversupply is now over for rare earths and zirconium materials, not least as they are likely to be consumed by integrated Chinese domestic supply chains. The zirconium materials market has already seen instances of inability to supply to non-Chinese customers. Moreover, a recently announced US Defence law bans the purchase of rare earth magnets from China, creating new demand potential for Alkane.

The Dubbo Project is also one of the few potential sources of hafnium that could meet the forecast growth in demand for use in high-temperature superalloys. The nuclear industry has been the main source of hafnium for the past 70 years, owing to the need to remove hafnium from zirconium used in fuel assemblies for nuclear reactors. The hafnium market is one of the smallest markets for minor metals, but demand is poised to outstrip the current global supply of around 70tpa.

The Dubbo Project represents an alternative, sustainable and reliable source of materials that are in high demand for a range of existing and future technologies. Global companies using these products are actively seeking alternative western sources to combat growing supply uncertainties and trends towards higher prices. With a mine life potential of 75+ years, the Dubbo Project is gaining interest as an important potential source of supply to decrease supply chain risks.



Zr	16,374tpa produced as ZrO_2
Hf	50tpa* produced as HfO_2
Nb	1,967tpa produced as ferro-niobium
REE	6,664tpa produced as chemical concentrate

**Startup output; potential for 200tpa Hf, depending on market demand.*

For personal use only



MINERAL RESOURCES AND ORE RESERVES

The Company reports Ore Reserves and Mineral Resources for the Toongi deposit, which is the basis of the Dubbo Project, as at 30 June 2018 in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012). The Dubbo Project Mineral Resources and Ore Reserves are the same as those stated at 30 June 2017.

These estimates, provided by independent industry consultants Mining One Pty Ltd, account for revised estimated operating costs, product revenues and regulatory approved site layouts (ASX announcement of 19 September 2017). The reportable Mineral Resources are based on the open pittable Toongi deposit, which has a depth extent of 115 metres below the surface. These Mineral Resources are wholly inclusive of Ore Reserves, which are based on economic parameters applied to the Mineral Resources, reflecting an initial project horizon of 20 years.

Dubbo Project Mineral Resources (as at 30 June 2018)

RESOURCE CATEGORY	TONNES (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	TREO* (%)
Measured	42.81	1.89	0.04	0.45	0.03	0.14	0.74
Inferred	32.37	1.90	0.04	0.44	0.03	0.14	0.74
TOTAL	**75.18**	**1.89**	**0.04**	**0.44**	**0.03**	**0.14**	**0.74**

* *TREO% is the sum of all rare earth oxides excluding ZrO_2, HfO_2, Nb_2O_5, Ta_2O_5, Y_2O_3*

Dubbo Project Ore Reserves (as at 30 June 2018)

RESERVE CATEGORY	TONNES (Mt)	ZrO_2 (%)	HfO_2 (%)	Nb_2O_5 (%)	Ta_2O_5 (%)	Y_2O_3 (%)	TREO* (%)
Proved	18.90	1.85	0.04	0.44	0.03	0.14	0.74
Probable	0						
TOTAL	**18.90**	**1.85**	**0.04**	**0.44**	**0.03**	**0.14**	**0.74**

* *TREO% is the sum of all rare earth oxides excluding ZrO_2, HfO_2, Nb_2O_5, Ta_2O_5, Y_2O_3*

For personal use only

DUBBO PROJECT BUILD OPTIONS

- **Estimated 20-year project life with significant extension and expansion potential to 75+ years.**
- **Two implementation options, base case (A) or staged build (B), depending on customer demand, funding and partner requirements. The Project also has capacity to grow beyond 1Mtpa through the addition of more production trains.**
- **OPTION A: BASE CASE – IMPLEMENTATION AS SINGLE 1Mtpa PLANT**
  - **Potential A$4.7B in undiscounted free cash flow (pre-tax) over an initial 20-year project life.**
  - **Forecast capital cost of A$1,297M with an additional A$124M of sustaining capital over the 20 years, giving an estimated NPV (8%, pre-tax) of A$1,236M and estimated 17.5% IRR (pre-tax).**
- **OPTION B: STAGED BUILD – IMPLEMENTATION AS TWO 500ktpa PRODUCTION TRAINS**
  - **Potential undiscounted free cash flow (pre-tax) in excess of A$3.9 billion.**
  - **Forecast capital cost of A$808M for stage 1, A$692M for stage 2 (with opportunities to stage further) and an additional A$39M of sustaining capital over the 20 years, giving an estimated NPV (8%, pre-tax) of A$909M and an estimated 16.1% IRR (pre-tax).**

PROJECT STATUS

The Dubbo Project is construction-ready, subject to financing. Australian Strategic Materials (ASM) owns 3,456 hectares of land at Toongi, encompassing Mining Lease 1724. The Mining Lease includes the mineral deposit as well as all of the land required for materials processing. All other material state and federal approvals and licences are in place, along with an established process flowsheet and a solid business case.

A comprehensive Dubbo Project *Engineering and Financials Update* was released to the ASX on 4 June 2018. This update describes and tables the combined results and conclusions of several work streams carried out by Alkane and others from 2015 through to early 2018. Building on earlier engineering studies, these work streams comprised further modularisation and value investigations into engineering, construction and project delivery strategies to develop concepts offering potential cost savings and reduced initial capital costs.

The combined results demonstrate the strong potential for a modularised build approach, where the processing plant could be built in two stages, involving two production trains each of half capacity (500ktpa each), utilising some common infrastructure. This would allow the second stage to be built after the first stage is successfully commissioned and market pricing achieved for the products, allowing staging of capital and solid post-build cash flow. Ramping the project to full production capacity of 1Mtpa, and possibly subsequent further expansion, is the key to higher project returns and the potential to generate more significant cash flows.

The Engineering and Financials Update also summarised the results of substantial process improvements and flowsheet optimisation, particularly in the area of product purity, achieved at the Australian Nuclear Science and Technology Organisation (ANSTO) in Sydney over the same time period (2015-2018). The results from this work were combined into the capital, operating and revenue estimates outlined in the update.

The substantial body of work and analysis undertaken on the Dubbo Project gives ASM a high degree of confidence in its ability to execute and deliver the program described.

ASM continues to work towards securing finance for the Dubbo Project. The Company's key focus is on securing offtake contracts for its products and a resultant strategic investor in the Project.

For personal use only

PRODUCTS AND MARKETING

The Dubbo Project will produce a suite of high-value downstream products used in a range of advanced technologies by leading companies worldwide. The path to development positions the Dubbo Project as an important global source of critical zirconium, rare earth and hafnium materials.

ASM's marketing strategy is based on securing long-term customer relationships, founded on a reliable and secure production base in Australia. The Dubbo Project will also provide a strategic alternative to existing supply chains, enabling companies to significantly reduce existing supply chain risks. This is especially true for advanced economies in Europe, North America and North Asia, where there is a high dependence on supply from China for zirconium, hafnium and rare earths.

The initial product range will be complemented by the progressive development of further high-value products in response to customer and market demands. This includes the production of specialty chemicals or the conversion of chemicals to powders or metals, as well as the production of functional products.

ASM's preferred approach is to work directly with tech companies and focus on producing higher-value downstream products. This model is deemed to be the most profitable, while simultaneously offering the best value, shorter lead times and transparent supply chains for customers. To this end, ASM and its sales and marketing partners have had many discussions with interested companies across the world, with the view to securing product offtake agreements and supplier prequalification, based on existing Memoranda of Understanding (MOUs) and Letters of Intent (LOI).

Product and process development

ASM's ultimate suite of zirconium, hafnium, rare earth and niobium materials will comprise a range of standard and customised product specifications, based on customer and market requirements. In the 2018 financial year, the Company continued to refine the product suite and provide samples for evaluation. Product and process development focused on the following:

ASM's proprietary process for separating hafnium from zirconium – This allows flexible recovery of high-purity hafnium oxide from the high-purity zirconium stream and was piloted at ANSTO to produce low-hafnium zirconia and high-purity hafnium oxide.

High-value zirconium materials – These include high-purity zirconium oxychloride (ZOC) and zirconia; yttria-stabilised zirconia (YSZ) products such as milling media, which will enable full-value capture of yttrium oxide produced by the Dubbo Project; low-hafnium zirconia (hafnium levels less than 10ppm) suitable for producing hafnium-free zirconium metal for the nuclear industry.

Ultra high-purity hafnium oxide exceeding 99.8% HfO_2 and 99.9% $(Hf+Zr)O_2$ was produced at ANSTO (ASX Announcement of 17 January 2018). This material will be directly marketable as a feed material for downstream applications and for producing metallic hafnium.

Zirconium and hafnium metal production processes – The greatest hafnium demand is for hafnium metal containing different levels of zirconium, so ASM is investigating options to produce hafnium metal through strategic partnerships or joint ventures to maximise value capture. It is assumed that most hafnium revenue will come from hafnium metal.



For personal use only

Market conditions

Announced in 2015, the Made in China 2025 policy is expected to have long-term and far-reaching effects on the market for zirconium and rare earth elements in particular. The policy aims to move Chinese industry away from low-value, polluting industries to manufacturing for higher-value, downstream markets. The Chinese Government has already embarked upon a 'war on pollution', leading to stricter enforcement of environmental laws across the sector. The impacts of this policy, implemented in the form of new environmental regulations, inspections and audits, are already being seen – particularly in the rising prices of rare earth magnet and zirconium materials supply chains external to China.

Zirconium. The Dubbo Project will produce a mix of 'base' and 'premium' zirconium products. It is expected the base zirconium products of ZOC, zirconium basic carbonate (ZBC) and zirconium oxide will dominate sales during the first few years of operations. After more than five years of downward pressures, prices for these zirconium materials rose rapidly through the 2018 financial year, driven primarily by supply disruptions from China due to new industry policies and uncertain supply of zircon from maturing mines. Prices for ZOC, being the primary precursor for high-value downstream zirconium products, increased by more than 80%. China's increased focus on environmental pollution and compliance is expected to lead to further supply disruption, while higher prices for raw materials and process chemicals are expected to add further pressure to costs.

Rare earths. Rare earth permanent magnets (REPM) are the main driver for the global rare earths industry at present, accounting for 30% of the market by volume – but 80% by value. The magnet rare earths include neodymium, praseodymium, samarium, dysprosium and terbium. At present, China dominates the global rare earths market (US$3-5 billion) with 85-90% of supply. However, high growth rates for REPMs due to surging global demand for electric vehicles, coupled with reduced supply from China, are expected to lead to shortages by 2020. (Other non-magnet rare earths are in oversupply as a result.) Prices for praseodymium/neodymium (known as didymium or PrNd) metal closed at around US$65/kg FOB China at the end of the 2018 financial year (after peaking briefly at US$100/kg during 2017). It is assumed that continued strong growth in demand for neodymium, praseodymium, dysprosium and terbium oxides will drive strong prices over the first 20 years of the Dubbo Project.

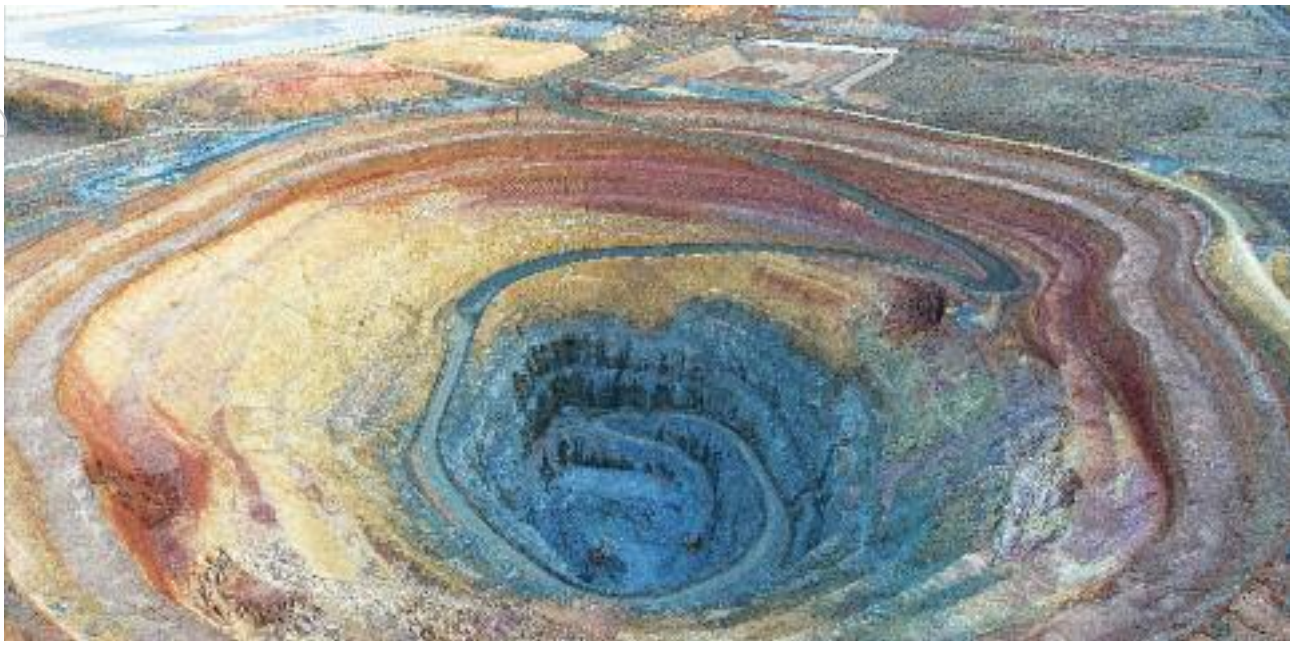
Hafnium. With a current total market value of about US$70 million, the hafnium market is one of the smallest markets for minor metals, yet it offers some of the best prospects for future growth. Demand is poised to outstrip production, primarily driven by its growing use in superalloys. Current supply is limited to approximately 70tpa and lies in the hands of a few companies producing nuclear-grade zirconium metal. The Dubbo Project is one of the few sources of hafnium that could meet an anticipated demand of 112t by 2026 and 160t by 2036 (according to Roskill). Hafnium will be produced by ASM according to identified demand; however, the Dubbo Project will have the capability to supply in excess of 100tpa.

Niobium. The global steel industry is the main driver for niobium consumption, where 90% of all niobium is used as ferro-niobium for high strength low alloy (HSLA) steels for the construction and automotive sectors. The market is dominated by Brazil's Companhia Brasileira de Metalurgia e Mineracao (CBMM), with approximately 80% of ferro-niobium supply. This dominance has also historically provided market stability, as CBMM has adjusted supply against demand. Niobium prices have increased marginally over the 2018 financial year, in response to a strengthening ferro-vanadium market. The Dubbo Project will produce ferro-niobium via a joint venture with Treibacher Industrie AG (TIAG), representing approximately 3% of global production.





For personal use only



TOMINGLEY GOLD OPERATIONS

Tomingley Gold Operations (TGO) is a wholly owned subsidiary of Alkane, located near the village of Tomingley, approximately 50km southwest of Dubbo in Central Western New South Wales. The gold processing plant was commissioned in January 2014 and has been operating at the design capacity of 1Mtpa since late May 2014. Mining is based on four gold deposits (Wyoming One, Wyoming Three, Caloma One and Caloma Two) totalling 483,000 ounces.

OPERATIONS

Open cut mining has been underway since 2014. Mining occurred in three pits during the 2018 financial year, with the Caloma One open cut completed in August 2017 and the remaining Caloma Two and Wyoming One pits scheduled to complete in the coming financial year. (The Wyoming Three pit was completed in November 2015.)

Production at TGO for the 2018 financial year totalled 78,533 ounces of gold poured, which met the original full-year guidance. The cash costs for the year were A$767/oz, with an All in Sustaining Cost (AISC*) of A$1,002/oz. Gold sales of 75,507 ounces, at an average of $1,706 per ounce, resulted in sales revenue of $128,799,000. Bullion on hand at 30 June 2018 was 4,836 ounces (fair value of $8,180,000).

Production for the 2019 financial year is expected to be 30,000 to 35,000 ounces of gold at an AISC of A$1300 to A$1400. This production is based largely on processing of stockpiles due to the cessation of mining, with increased AISC the result of a higher proportion of fixed costs.

* *AISC = All In Sustaining Cost comprises all site operating costs, royalties, mine exploration, sustaining capex and mine development and an allocation of corporate costs, presented on the basis of ounces produced.*

UNDERGROUND MINING STUDY

TGO continued to investigate the mineral resource below the Wyoming One pit during the 2018 financial year. The results of a substantial core drilling program were announced in the ASX Announcements of 17 November and 11 December 2017. This was followed by resource modelling to define the revised underground resources, leading to the release of revamped Mineral Resources and Ore Reserves in the ASX Announcement of 4 June 2018 and the ASX Supplementary Announcement of 12 June 2018.

The financial evaluation of the potential underground mining operation included the creation of a mine plan. The intention is to mine 1.24Mt of ore with grading 2.7g/t gold, for a resultant 108,000 ounces of contained gold. TGO appointed a project manager to confirm the development economics and prepare a detailed execution plan. In September 2018, the Company announced that development of the underground mining operations will commence in early 2019.

For personal use only



MINERAL RESOURCES AND ORE RESERVES

The Company reports Ore Reserves and Mineral Resources for TGO as at 30 June 2018 in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2012). These estimates take into account ore depleted by mining during the 2018 financial year and were reported to the ASX on 8 October 2018. Any differences to those tables are corrections to typographical errors; the assumptions and parameters detailed in that report are unchanged. Mineral Resources are wholly inclusive of Ore Reserves.

TGO Mineral Resources (as at 30 June 2018)

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		TOTAL GOLD
	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	(Koz)
Open Pittable Resources (cut off 0.50g/t Au)									
Wyoming One	410	1.6	991	1.7	137	0.7	1,538	1.6	79
Wyoming Three	86	2.0	16	1.3	33	1.4	135	1.7	8
Caloma	895	1.6	1,016	1.2	824	1.2	2,735	1.3	116
Caloma Two	71	2.1	824	2.0	26	1.4	921	2.0	59
Sub Total	1,462	1.6	2,847	1.6	1,020	1.2	5,329	1.5	262
Underground Resources (cut off 2.50g/t Au)									
Wyoming One	0	0.0	866	4.0	110	3.2	976	3.9	122
Wyoming Three	10	3.6	6	3.1	4	3.1	20	3.4	2
Caloma	82	3.8	35	3.4	47	3.0	164	3.5	18
Caloma Two	-	0.0	218	3.6	76	3.2	294	3.5	33
Sub Total	92	3.8	1,125	3.9	237	3.2	1,454	3.8	175
TOTAL	**1,554**	**1.8**	**3,972**	**2.3**	**1,257**	**1.6**	**6,783**	**2.0**	**437**

Apparent arithmetic inconsistencies are due to rounding.

For personal use only



TGO Ore Reserves (as at 30 June 2018)

DEPOSIT	PROVED		PROBABLE		TOTAL		TOTAL GOLD
	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	TONNAGE (Kt)	GRADE (g/t Au)	(Koz)
Open Pittable Reserves (cut off 0.50g/t Au)							
Wyoming One	193	1.7	4	2.3	197	1.7	11
Wyoming Three	0	0.0	0	0.0	0	0.0	0
Caloma	0	0.0	0	0.0	0	0.0	0
Caloma Two	18	1.8	2	1.5	20	1.8	2
Stockpiles	1,257	1.0	0	0.0	1,257	1.0	39
Sub Total	1,468	1.1	6	1.7	1,474	1.1	52
Underground Reserves (cut off 2.50g/t Au)							
TGO underground	45	2.7	688	3.2	732	3.1	74
Sub Total	45	2.7	688	3.2	732	3.1	74
TOTAL	**1,513**	**1.8**	**694**	**1.9**	**2,206**	**1.8**	**126**

TGO Comparative Total Open Pit Resources and Reserves

DEPOSIT	TOTAL RESOURCES						TOTAL RESERVES					
	2017			2018			2017			2018		
	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)	TONNAGE (Kt)	GRADE (g/t Au)	GOLD (koz)
Wyoming One	2,741	1.6	137	1,538	1.6	79	1,167	1.6	63	197	1.7	11
Wyoming Three	135	1.7	8	135	1.7	8	0	0.0	0	0	0.0	0
Caloma	2,794	1.3	120	2,735	1.3	116	58	2.2	4	0	0.0	0
Caloma Two	1,883	1.6	96	921	2.0	59	167	2.7	15	20	1.8	2
Stockpiles	762	1.0	23	1,257	1.0	39	762	0.9	22	1,257	1.0	39
TOTAL	**8,315**	**1.4**	**384**	**6,586**	**1.4**	**301**	**2,154**	**1.6**	**104**	**1,474**	**1.5**	**52**

Apparent arithmetic inconsistencies are due to rounding.

For personal use only



TGO Comparative Total Underground Reserves

SOURCE	2015 TONNAGE (Kt)	2015 GRADE (g/t Au)	2015 GOLD (koz)	2018 TONNAGE (Kt)	2018 GRADE (g/t Au)	2018 GOLD (koz)
Proven	224	4.0	29	45	2.7	4
Probable	301	3.4	33	688	3.2	70
TOTAL	**524**	**3.7**	**62**	**732**	**3.1**	**74**

Apparent arithmetic inconsistencies are due to rounding.

In the above comparative tables, the primary differences are the result of:

- Ore mined from Caloma One, Caloma Two and Wyoming One during the period
- Caloma One mining completion
- Update of geological models and block model estimations
- Increase in grade control removing almost all inferred material in all remaining pits, and
- Completion of underground study and feasibility.

The current life of mine plan sees the open cut pits finishing in the first quarter of 2019. A small cutback of the Caloma One pit to the northeast utilising smaller equipment has been designed and, whilst not scheduled, is an option for TGO should the economics allow it in the future. Low-grade stockpiles of approximately 1,257,000 tonnes are also available for milling, but are at present not scheduled until the potential underground material is available to be blended with it.

For personal use only



For personal use only

The Company has interests at a number of projects in Central Western New South Wales. During the 2018 financial year, exploration efforts were again predominantly focused on the Tomingley Gold Project, with the objective of identifying economic mineral deposits around the existing processing centre.

TOMINGLEY GOLD PROJECT (gold)

Alkane Resources Ltd 100%

Alkane's Tomingley Gold Project covers a 60km-long prospective belt that extends from near the village of Tomingley, located approximately 50km southwest of Dubbo in Central Western NSW, to near Parkes in the south (an area of approximately 330 square kilometres). The Project incorporates the Company's currently active Tomingley Gold Operations (TGO) and the inactive Peak Hill Gold Mine.

In parallel with the planned underground development at TGO, a substantial exploration program has focused on the resource potential of the immediate mine area, including the Peak Hill mine site, with a view to defining additional gold resources for the processing centre at Tomingley. The results of this program were released in the ASX Announcements of 10 August 2017 and 11 July 2018, as well as the March 2018 Quarterly Activities Report. Significant mineralised intercepts have been identified at several prospects, including Roswell, El Paso and San Antonio. Exploration in the Tomingley project area is planned to continue.

The Company also undertook 3D modelling of the historic Peak Hill Gold Mine mineralisation drill database, with an updated Resource model anticipated in the first half of the 2019 financial year. Core drilling is scheduled to confirm structures and provide ore for further metallurgical test work.

NORTHERN MOLONG PORPHYRY PROJECT (gold-copper)

Alkane Resources Ltd 100%

Encompassing three exploration licences (Bodangora, Kaiser and Finns Crossing), the Northern Molong Porphyry Project covers an area of 110 square kilometres, centred about 20km north of Wellington and about 35km east of Dubbo. The Project covers a large portion of the northern Molong Volcanic Belt, which is highly prospective for alkali porphyry-related mineralisation similar to the Cadia Valley deposits near Orange.

Following a RC drilling program last year, two diamond holes tested the Kaiser and Boda Prospects, confirming the presence of epithermal style gold mineralisation crosscutting earlier porphyry gold-copper mineralisation at the Boda Prospect. (See ASX announcements of 3 April 2017 and 15 August 2017.) The Company continues to work with a leaseholder regarding the timing of access to conduct further follow-up drilling.



For personal use only

ROCKLEY (gold)

Alkane Resources Ltd 100%

The Rockley Project, located 35km southeast of Blayney, is considered prospective for McPhillamys style gold mineralisation. Geological mapping, a high-resolution ground magnetic survey and a soil chemistry survey highlighted a gold multi-element anomaly around the historic Rosedale workings. A drilling program is being planned.

CUDAL (gold-zinc)

Alkane Resources Ltd 100%

Cudal is located 20km northwest of the Cadia Valley Operations of Newcrest Mining Ltd. Preliminary geological mapping and high-resolution ground magnetics were completed to assist with drilling target definition. The Company continues actively seeking joint venture partners for this tenement.

ELSIENORA (gold)

Alkane Resources Ltd 100%

The Elsienora tenements are located 75km south of Blayney and are considered prospective for orogenic style gold mineralisation and volcanic hosted gold and base metal mineralisation. No field activity took place during the year.

WELLINGTON (gold-copper)

Alkane Resources Ltd 100%

The Wellington Project hosts Galwadgere, a small copper-gold deposit with volcanogenic massive sulphide-type characteristics. No field activity took place during the year.

ORANGE EAST PROJECT (gold-copper)

Alkane Resources Ltd earning 80%

The Orange East Project is located approximately 15km east-southeast of Orange and consists of one exploration licence covering approximately 45 square kilometres. The project area hosts the historic Carangara copper workings at Byng (1850 to 1875); however, the most compelling exploration target is at the Gunnarbee prospect, where a multi-element soil geochemical anomaly, with a similar elemental suite to the surface anomaly at McPhillamys, has been outlined over an area of 1000m by 500m. No field activity took place during the year with land access arrangements under discussion.

LEINSTER REGION JOINT VENTURE (nickel-gold)

Alkane Resources Ltd 19.4% diluting

Alkane has a diluting 19.4% interest in this Western Australian nickel-gold exploration venture (Miranda and McDonough tenements). The remaining share is held by Australian Nickel Investments Pty Ltd (ANI, a subsidiary of Western Areas Ltd). During the year, ANI conducted an RC drilling program on the Miranda tenement in late October 2017 and commenced planning for a heritage survey in support of future gold targeting on M36/330.

ARMSTRONGS (gold)

Alkane Resources Ltd 100%

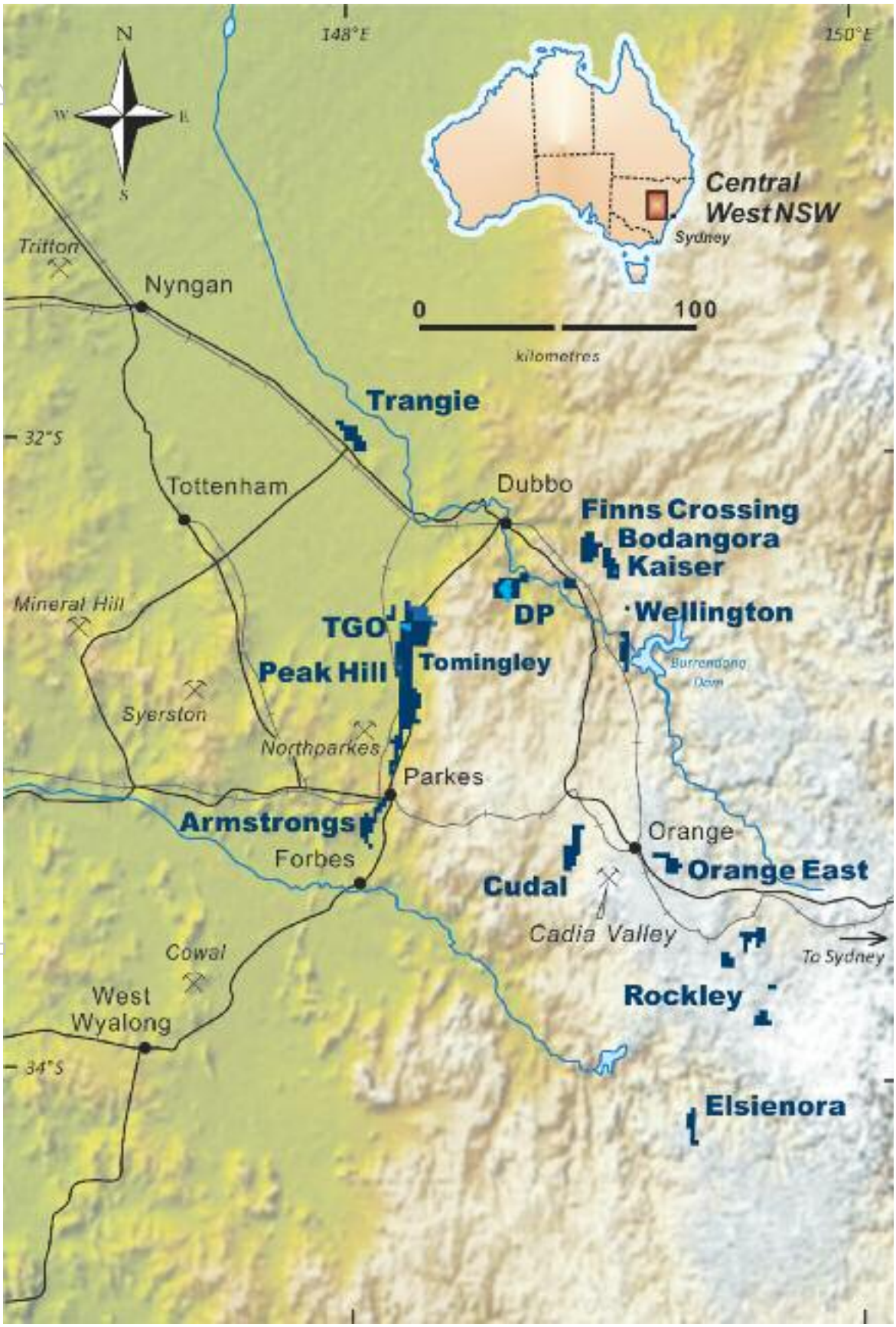
An exploration licence application was lodged for a prospect west of Parkes. The region has similar geology to the TGO site and historic drilling has identified low-grade gold mineralisation over a 400m strike length. Once the licence has been granted, the historic data will be reviewed and evaluated for economic potential.

TRANGIE (nickel-copper, cobalt, titanium and rare earths)

Alkane Resources Ltd 100%

An exploration licence application was lodged and granted targeting a geophysical anomaly discovered by state aerial and ground surveys, featuring geology atypical for the region, located approximately 5km east of Trangie township. It is considered a prospect for a number of metals, including nickel, copper, cobalt, titanium and rare earths.

For personal use only



For personal use only



For personal use only

SUSTAINABILITY STATEMENT

Alkane Resources strives to deliver excellent environmental and social performance in all that it does. The Company is keen to assist regional communities to flourish and become more resilient, and to provide a safe and rewarding working environment for all employees. Alkane is committed to safe environmental practices and to the delivery of biodiversity improvement at all its mining and exploration sites.

Alkane's aim is to leave a positive legacy for local communities and the land alike, that long outlasts the life of its activities in the region.

SUSTAINABLE SUPPLY CHAIN

Alkane understands the importance leading technology companies are placing on the sustainable and ethical sourcing of raw materials across the supply chain – from mining and processing through to end-of-life. The Company shares these values and is wholly committed to upholding stringent social and environmental standards for the mining and processing of its products.

Mining and processing activities are carefully designed to minimise the physical footprint, use low volumes of power, water and other consumables, and produce waste residues that are treated and stored with minimum impact to the environment. The Company also focuses on protecting, nurturing and enhancing local biodiversity, as well as land rehabilitation once mining is finished.

Alkane is diligent about ensuring that the conditions for its workforce – including the employees of marketing and offtake partners in Australia and overseas – meet international occupational health and safety standards, with no exploitation or child labour. The Company has comprehensive systems of control and accountability and administers corporate governance with openness and integrity based on the principles and recommendations of the ASX Corporate Governance Council.

Many of Alkane's specialty technology metal products will be produced onsite at the Dubbo Project, with others to be produced and marketed globally by business partners. As many of the Company's prospective customers are expected to enter into direct purchasing agreements with Australian Strategic Materials or one of its offtake partners, the simplified and direct supply chain will bypass China (currently where many technology metals are processed), making it highly sustainable, cost-effective and easily traceable.







For personal use only



ENVIRONMENTAL MANAGEMENT

Alkane seeks to minimise its environmental footprint at all its mining and exploration sites and works hard to protect the wide variety of native species that live in these project areas. The Company's aim is to restore sites to stable functioning ecosystems that are non-polluting and productive. This is achieved through careful design, creation of biodiversity offset areas, progressive rehabilitation, monitoring and management actions.

The process commences when development of a mining project starts – before any soil is turned. In accordance with commitments made in respective Environmental Impact Statements, consent conditions, Mining Operations Plans and Environment Protection Licences, meticulous plant design ensures operations comply with regulation for water recycling and residue management to ensure sites are safe for local wildlife. Progressive rehabilitation of mining landforms commences in the early days of operation and continues for the life of the mine and beyond.

The establishment and care of biodiversity offset areas forms an important part of Alkane's commitment to the environment and the community. These designated areas are earmarked for the restoration and creation of new native habitats for animal species, especially those that are threatened and endangered, along with other measures to encourage biodiversity.

The Dubbo Project biodiversity offset areas (totalling 1,021Ha) are being managed by Alkane subsidiary, Toongi Pastoral Company, along with 1,995Ha of agricultural land. A Conservation Property Vegetation Plan executed by Central West Local Land Services outlines specific management actions and is binding on title in perpetuity.

At Tomingley Gold Operations, 121.6Ha of biodiversity offset areas are also protected by a Conservation Property Vegetation Plan signed in agreement with Local Land Services. Over the past few years, many thousands of trees and shrubs have been planted around the TGO site, including 35 hectares of native grey box (eucalyptus) woodland.

Alkane's track record in environmental management is illustrated by the rehabilitated landforms at the Peak Hill Gold Mine (in operation 1996 to 2005). A pleasant bushland setting frames the five mining voids, which are now open to the public as part of a Tourist Mine. The site is increasingly species-rich, with several native bird and mammal species established as a result of Alkane's rehabilitation of the mining leases and adjoining land.

For personal use only



TOONGI PASTORAL COMPANY

In 2016 Alkane established the Toongi Pastoral Company (TPC), a wholly owned subsidiary, to manage the Dubbo Project's agricultural land and assets, along with the Project's designated biodiversity offset areas. The enterprise is overseen by a professional Farm Manager and operates as a productive mixed farm.

In its second year, TPC has continued to operate at a level of agricultural excellence, responsibly producing lamb, beef and wheat in a sustainable manner. The farm has also completed a comprehensive water supply project that has improved water management by distributing water to houses, tanks and troughs across the amalgamated properties.

TPC has recently completed 32km of new fencing around the biodiversity offset areas to manage the impact of grazing animals – including kangaroos, wild pigs and livestock. The integration of the biodiversity offset areas with the farm means this land is managed as an integral component of the farm (as opposed to being managed by the mining operations or a third party), making the best and most efficient use of company resources and expertise. The vital biodiversity offset areas for the Dubbo Project include grassy white box woodlands, Wiradjuri cultural heritage sites and habitats for the Pink-tailed Worm-lizard, a vulnerable local species for which Alkane is taking a leading role in conservation.

This integrated approach to farming and conservation ensures effective and efficient land management, and provides the foundation for positive social, environmental and financial outcomes. Alkane is proud to demonstrate that mining, farming and nature conservation can co-exist.

EMPLOYEES AND DIVERSITY

Alkane is committed to employing members of the local community where possible, with the majority of employees living in the local area as the Company does not support a 'fly-in/fly-out' scheme. At financial year end the Group had 134 personnel on the payroll, with 20% being female. A total of 62 full-time equivalent contractors were on site at TGO in June 2018. Achieving a good gender balance in such an historically male-dominated industry is a challenge essential to maintaining a culture of equal opportunity.

For personal use only



CASE STUDY

Helping Tomingley village through the drought

To alleviate the impact of the current drought in NSW, TGO is supplying bore water to Tomingley Village. The water is coming from the Narromine bore field via TGO's 46km underground pipeline, which supplies water to the plant. Water is being directed into the dams that supply non-potable water to the village, since Gundong Creek, the usual source, has dried up.

The $2 million bore water pipeline was partly funded by the State Government and constructed by TGO. The side branch to deliver water to village dams is part of the Voluntary Planning Agreement negotiated between TGO and Narromine Shire Council during the mine approval process. Its presence is saving the shire council from trucking water to the village at great expense.

COMMUNITY ENGAGEMENT AND SUPPORT

Alkane is an active and engaged member of the communities in which it operates – in particular the Narromine Shire, Parkes Shire and Dubbo Regional Council local government areas in Central Western NSW. The Company's goal is to support the development of more resilient regional communities through the establishment of permanent infrastructure (such as a long-term water supply options project), sponsorship of local events and organisations, provision of training and career opportunities to local students and residents, and the creation of local economic opportunities for service providers. Alkane aims to leave a positive legacy that will long outlive the duration of mining operations.

In order to ensure strong relationships are maintained with local communities, Alkane is committed to clear and regular communications about its operations and development activities, and actively participates on Community Consultative Committees. The Company participates regularly at regional events to discuss the Group's projects and encourages community engagement with the Company.

In 2018 Alkane has accommodated school students, university study tours and special interest groups across its various project sites. Alkane staff and Directors are actively involved with the NSW Minerals Council in reviewing government policy and participating in industry workshops and conferences.

TGO was named NSW Mining Operation of the Year at the NSW Minerals Council's Industry & Supplier Awards held at NSW Parliament house in March 2018.

For personal use only





WORK HEALTH AND SAFETY REVIEW

Alkane complies with all laws and regulations in relation to the environment and work health and safety (WHS). The Company strives for continuous improvement of its standards for Tomingley Gold Operations, the Peak Hill Gold Mine decommissioning and closure, and for ongoing exploration and mine development.

RISK MANAGEMENT

Alkane is committed to the active management of risks to its operations and has a Risk Management Committee composed of directors and management to assist the Managing Director to identify, assess, monitor and manage the Company's risks. The Company's Risk Management Coordinator is tasked with the responsibility of keeping the risk management policy, framework and registers updated, subject to formal approval of policy amendments by the Board.

TGO continues to monitor and audit critical controls as part of its ongoing risk management process. A specialised software package assists with the management of the complexities for the high-level risks. Risk workshops have been held to identify risks that need to be addressed in the design stage of the Dubbo Project.

WORK HEALTH AND SAFETY

Alkane's personnel are distributed across several office locations and operations across Central Western NSW (Orange, Dubbo, Peak Hill and Tomingley), Sydney and Perth. The largest concentration of employees is at TGO, located at Tomingley, southwest of Dubbo.

The TGO Mine Safety Management and Operations Management systems are in place, with both subjected to a rigorous auditing and inspection regime to ensure their integrity. A thorough employee safety induction program is used to on-board all employees and contractors at the TGO site to ensure safe operations at all times.

As for Alkane's other sites, a full-time site supervisor maintains the Peak Hill Gold Mine leases and infrastructure during decommissioning. The facilities at the mine site also provide support for exploration activities at the nearby Tomingley Gold Project, which encompasses TGO. Alkane also maintains exploration offices in Dubbo and Orange to service the Group's other tenements in Central Western NSW.

During the reporting period, four injuries resulting in lost time occurred at TGO; two injuries also required restricted work, as well as two injuries requiring medical treatment. For the 2018 financial year, TGO had a total recordable injury frequency rate (TRIFR) of 5.68 per 200,000 hours worked and a TRIFR of 28.4 per 1,000,000 hours worked.

TGO reported no dust exceedances that were attributable to mine operations during the year. However, due to the ongoing drought conditions in Central Western NSW, dust levels in the region have often exceeded the approved limits. TGO informs the NSW Environment Protection Agency (EPA) and other government agencies when this situation occurs and provides supporting weather data and field observations as required. No noise exceedances were recorded during the year.

In December 2017, TGO reported a discharge of water from sediment basin 1 following a significant storm event. TGO activated its Pollution Incident Response Management Plan (PIRMP), notifying the EPA and adjoining land owners. The discharge was managed in accordance with the site's Water Management Plan and EPL requirements. No environmental harm was identified.

For personal use only



For personal use only

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Alkane Resources Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

DIRECTORS AND COMPANY SECRETARY

The following persons were directors of Alkane Resources Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

- I J Gandel was appointed Chairman from 1 September 2017
- N Earner was appointed as Managing Director from 1 September 2017
- D I Chalmers
- A D Lethlean
- G Smith was appointed as a Director from 29 November 2017
- J S F Dunlop was Chairman from the beginning of the financial year until his resignation on 31 August 2017

As of 1 September 2017, Chairman J S F Dunlop resigned and D I Chalmers stood down as Managing Director. Mr Chalmers continues on the Board as Technical Director. Director I J Gandel assumed the role of Non-Executive Chairman and Chief Operations Officer Nic Earner assumed the role of Managing Director.

The Board continues its efforts to seek to appoint additional independent members who will bring complementary skill sets and diversity to the Group's leadership.

The Company Secretary is Mr D Wilkins (BBus, ACIS, AICD), who was appointed to the position of Company Secretary on 29 March 2018. Mr Wilkins replaced Ms K E Brown as Company Secretary who retired on 29 March 2018, following a 35-year association with Alkane Resources Ltd.

INFORMATION ON DIRECTORS

Ian Jeffrey Gandel – Non-Executive Chairman

LLB, BEc, FCPA, FAICD

Appointed Director 24 July 2006 and Chairman 1 September 2017.

Mr Gandel is a successful Melbourne-based 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 Western Australia. Mr Gandel is currently Non-Executive Chairman of Alliance Resources Ltd (appointed as director on 15 October 2003 and in June 2016 was appointed Non-Executive Chairman). He is also Non-Executive Chairman of Octagonal Resources Ltd (appointed 10 November 2010)(this company sought delisting from the ASX in February 2016 and converted to Pty Ltd status in April 2016) and has been a director and Non-Executive Chairman of Gippsland Ltd (24 June 2009- 14 April 2015).

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

Nicolas Paul Earner – Managing Director

BEng (hons)

Appointed Managing Director 1 September 2017.

Mr Earner is a chemical engineer and a graduate of University of Queensland with 22 years' experience in technical and operational optimisation and management, and has held a number of executive roles in mining and processing.

Mr Earner joined the Alkane Group as Chief Operations Officer in August 2013 with responsibility for the safe and efficient management of the Company's operations at Tomingley Gold Operations (TGO) and Dubbo (Dubbo Project). Under his supervision, the successful development of TGO transitioned to profitable and efficient operations. His guidance also drives the engineering and metallurgical aspects of the Dubbo Project, overseeing optimisation of plant design and product and marketing development.

Prior to his appointment as the Group's Chief Operations Officer in August 2013 he spent four years at Straits Resources Ltd, including two years as Executive General Manager – Operations, supervising up to 1,000 employees in open cut and underground gold mines and an underground copper mine. During the 11 years before that, he had various roles at Rio Tinto Coal Australia's Mount Thorley Warkworth coal mine and BHP/WMC Olympic Dam copper-uranium-gold operations. His eight years at Olympic Dam included roles managing the Concentrator and Hyrdomet functions, which included substantial milling, leaching and solvent extraction circuits. His other positions included Production Superintendent – Smelting and Senior Engineer – Process Control, Instrumentation and Communications.

For personal use only

INFORMATION ON DIRECTORS (continued)

David Ian (Ian) Chalmers – Technical Director

MSc, FAusIMM, FAIG, FIMM, FSEG, MSGA, MGSA, FAICD

Appointed Technical Director 1 September 2017. Resigned as Managing Director 31 August 2017.

After almost 11 years as Managing Director, Mr Chalmers stepped down to make way for the appointment of Mr Earner in his place. Mr Chalmers continues on the Board to provide ongoing technical and commercial knowledge and support for the Dubbo Project and exploration activities.

Mr Chalmers is a geologist and graduate of the Western Australia Institute of Technology (Curtin University) and has a Master of Science degree from the University of Leicester in the United Kingdom. He has worked in the mining and exploration industry for over 40 years, during which time he has had experience in all facets of exploration and mining through feasibility and development to the production phase. Mr Chalmers was Technical Director until his appointment as Managing Director in 2006, overseeing the Group's minerals exploration efforts across Australia (New South Wales and Western Australia), Indonesia and New Zealand and the development and operations of the Peak Hill Gold Mine (NSW). During his time as Chief Executive he steered the Company through construction and development of the now fully operational Tomingley Gold Operations and to the threshold of development of the world class Dubbo Project.

Mr Chalmers is a member of the Nomination Committee.

Anthony Dean Lethlean — Non-Executive Director

BAppSc (Geology)

Appointed Director 30 May 2002.

Mr Lethlean is a geologist with over 10 years' mining experience, including four years underground on the Golden Mile in Kalgoorlie. In later years, he has worked as a resource analyst with various stockbrokers and investment banks, including CIBC World Markets. He was a founding director of Helmsec Global Capital Limited, which seeded, listed and funded a number of companies in a range of commodities. He retired from the group in 2014. He is also a Non-Executive Director of Alliance Resources Ltd (appointed 15 October 2003).

Mr Lethlean is the senior independent Director, Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

Gavin Smith – Non-Executive Director

BCom, MBA, MAICD

Appointed Director 29 November 2017.

Mr Smith is an accomplished senior executive and Non-Executive Director within multinational business environments. He has more than 35 years' experience in information technology, business development, and general management in a wide range of industries and sectors. Mr Smith has worked for the Bosch group for the past 28 years in Australia and Germany and is current Chair and President of Robert Bosch Australia. In this role Mr Smith has led the restructuring and transformation of the local Bosch subsidiary. Concurrent with this role, he is a Non-Executive Director of the various Bosch subsidiaries, joint ventures, and direct investment companies in Australia and New Zealand. In addition, Mr Smith is the Chair of the Internet of Things Alliance Australia (IoTAA), the peak body for organisations with an interest in the IoT.

Dennis Wilkins – Company Secretary

BBus, ACIS, AICD

Mr Wilkins was appointed to the position of Company Secretary on 29 March 2018. Before joining Alkane Resources Ltd he has been a director, or involved in executive management, of several publicly listed resource companies with operations in Australia, PNG, Scandinavia and Africa.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial year.

REVIEW OF OPERATIONS

PRINCIPAL ACTIVITIES

During the financial year the principal continuing activities of the consolidated entity consisted of:

- mining operations at the Tomingley Gold Operations;
- evaluation activities in relation to the Dubbo Project; and
- exploration and evaluation activities on tenements held by the Group.

RESULT FOR THE YEAR

The profit for the consolidated entity after providing for income tax amounted to $24,471,000 (30 June 2017: loss of $28,937,000).

This result included a profit before tax and non-recurring items of $39,087,000 (30 June 2017: $16,954,000) in relation to Tomingley Gold Operations.

For personal use only

REVIEW OF OPERATIONS (continued)

TOMINGLEY GOLD OPERATIONS

The gold operations at Tomingley are located approximately 50 kilometres southwest of Dubbo in the Central West of NSW. The operations are based on four gold deposits: Wyoming One, Wyoming Three (mining completed October 2015), Caloma One (mining completed August 2017) and Caloma Two. Mining occurred in three pits during the year, Caloma One, Caloma Two and Wyoming One.

Total material movements for the period of 3,755,265bcm comprised 3,165,414bcm of waste and 589,851bcm of ore. The average stripping ratio of 5.4 represented a decrease from the corresponding period as a result of overburden having been previously removed from the main operating pits Wyoming One and Caloma Two.

Milling for the period was in line with design capacity at 1,092,602 tonnes. Gold recovery increased from 91.5% for the year ended 30 June 2017 to 91.9% in line with expectations as increased oxide ore was available for processing from the Wyoming One and Caloma Two pits. Average grade milled was 2.42g/t reflecting higher grade ore sourced from the Caloma Two pit. As a result of the lower waste movement requirements, the mining fleet size has been reduced accordingly.

Production for the period was 78,533 ounces with all-in sustaining costs of $1,002 per ounce. The average sales price achieved for the period was $1,706 per ounce. Gold sales of 75,507 ounces resulted in sales revenue of $128,799,000.

Bullion on hand increased by 3,022 ounces from 30 June 2017 to 4,836 ounces (fair value of $8,180,000 at period end).

The table below summarises the key operational information.

TGO PRODUCTION	UNIT	SEPT QUARTER 2017	DEC QUARTER 2017	MAR QUARTER 2018	JUN QUARTER 2018	FY 2018	FY 2017
Waste mined	BCM's	1,807,545	507,498	470,598	379,773	3,165,414	7,679,110
Ore mined	BCM's	113,098	122,638	186,362	167,753	589,851	461,359
Ore mined	Tonnes	289,627	330,613	505,840	463,732	1,589,811	1,222,868
Stripping Ratio	Ratio	16.0	4.1	2.5	2.3	5.4	16.6
Grade mined (2)	g/t	2.55	1.96	1.80	1.87	1.99	2.08
Ore milled	Tonnes	281,191	264,416	272,125	274,870	1,092,602	1,087,983
Head grade	g/t	2.80	2.21	2.41	2.23	2.42	2.15
Gold recovery	%	92.7	92.9	91.2	90.5	91.9	91.5
Gold poured (3)	Ounces	24,122	16,641	18,635	19,135	78,533	68,836
Revenue summary							
Gold sold	Ounces	21,610	13,184	21,550	19,163	75,507	69,929
Average price realised	A$/Oz	1,685	1,694	1,708	1,735	1,706	1,678
Gold revenue	A$000's	36,417	22,330	36,810	33,242	128,799	117,338
Cost Summary							
Mining	A$/Oz	501	503	436	455	475	748
Processing	A$/Oz	208	260	240	248	236	295
Site support	A$/Oz	56	78	42	51	56	84
C1 Cash Cost	A$/Oz	**765**	**841**	**718**	**754**	**767**	**1,127**
Royalties	A$/Oz	54	51	48	54	52	49
Sustaining capital	A$/Oz	34	27	27	37	32	47
Rehabilitation	A$/Oz	97	99	140	136	117	71
Corporate	A$/Oz	31	41	29	36	34	41
All-in Sustaining Cost (1)	A$/Oz	**981**	**1,059**	**962**	**1,017**	**1,002**	**1,335**
Bullion on hand	Ounces	4,303	7,756	4,870	4,836	4,836	1,814
Stockpiles							
Ore for immediate milling	Tonnes	770,136	829,356	1,063,782	1,256,823	1,256,823	761,829
Stockpile grade (2)	g/t	0.86	0.87	0.91	0.97	0.97	0.95
Contained gold	Ounces	21,086	23,195	31,140	39,338	39,338	23,300

(1) All-in Sustaining Cost (AISC) 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, production incentives or net realisable value provision for product inventory.

(2) Based on the resource models.

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

For personal use only

REVIEW OF OPERATIONS (continued)

TOMINGLEY GOLD OPERATIONS (continued)

Ore over the year was mainly sourced from the Wyoming One and Caloma Two pits, with mining finishing in the Caloma One pit in August 2017. The current life of mine plan sees the open cut pits finishing in financial year 2019. Low-grade stockpiles of approximately 761,000 tonnes are also available for milling, but are at present not scheduled until the potential underground material is available to be blended.

A significant drilling program was completed during the period, both targeting strike extensions and in-fill areas for the potential underground operation below the Wyoming One pit, as well as exploring for potential resources between Tomingley and Peak Hill. The underground data has been incorporated into an updated resource and reserve which has been published. Exploration drill results between Tomingley and Peak Hill have been released and show significant mineralised intercepts. The decision on proceeding underground will be made in the first half of financial year 2019 with near mine exploration continuing through the full financial year.

DUBBO PROJECT

The Project is proceeding towards development as 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 Dubbo Project is a unique, long-life asset with a potential mine life of 75 plus years. Unlike many projects of this kind, it is a polymetallic deposit providing potential revenue from multiple product streams.

The Dubbo Project remains ready for construction, subject to financing, with the mineral deposit and surrounding land wholly owned, all major state and federal approvals in place, an established flowsheet and a solid business case. Efforts during the period focused on product development and marketing with potential customers, with a focus on signing offtake contracts.

The Dubbo Project has developed high-purity hafnium oxide products tailored to meet market requirements (refer ASX Announcement dated 17 January 2018 Hafnium product breakthrough consolidated DP business case). The new products were produced by a proprietary process at the Group's demonstration pilot plant at the Australian Nuclear Science and Technology Organisation (ANSTO) in Sydney, New South Wales. Subsidiary, Australian Strategic Materials Ltd (ASM), finalised work with Outotec and other engineers to refine the existing engineering and design to provide bankable level of accuracy costing for the processing section of the Project using the modularised build philosophy (refer ASX Announcement dated 4 June 2018). As well as reducing up front capital requirements, the modularisation concept is expected to provide greater construction flexibility by staging the overall build of the project, whilst preserving the project economics. This comprehensive task should allow ASM to quickly commence the construction phase following financing.

After more than five years of downward pressures, prices for zirconium materials rose rapidly through financial year 2018, with zirconium oxychloride (ZOC) prices increasing by more than 80%. ZOC is the base product for the downstream zirconium industry. The increases in prices are primarily driven by reduced ZOC supply from China due to Chinese government environmental inspections and subsequent shutdowns to upgrade processing facilities to reduce pollution, and restricted supply of zircon.

The higher price and uncertain supply of zircon is expected to drive ZOC prices up further in financial year 2019. ASM continues to engage with customers looking to convert letters of intent to offtake agreements.

Rare earth permanent magnets (NdFeB) continued to be the main driver for the rare earths market in financial year 2018, with even higher growth rates anticipated in financial year 2019 due to the rapid growth in demand for electric vehicles worldwide. The widespread environmental crackdown across China has also included the rare earths industry, putting illegal mining under the spotlight and imposing strict enforcement of the quota system.

The hafnium market experienced tightening supply in financial year 2018, while demand continues to increase for traditional and new applications. Hafnium metal for superalloys used in industrial gas turbines and jet engines remains the main market, while other applications continue to grow for this niche element.

The niobium market continues to be stable with prices increasing marginally over financial year 2018.

ASM continues to work with its financial advisors to pursue the funding strategy for the Project. The changing market dynamics and improved pricing for key products is expected to assist in discussions with customers to secure long-term product offtake and investment in the Project. The ability of the Dubbo Project to provide long-term sustainable security of supply of a diverse range of over 15 critical metals and oxides is one of the strong themes which is being increasingly recognised both in Australia and overseas.

For personal use only

REVIEW OF OPERATIONS (continued)

EXPLORATION

The Company maintained a focused multi-commodity exploration program in the Central West of NSW. A substantial exploration program has focused on the resource potential of the immediate mine area, including Peak Hill mine site. A 13,000-metre evaluation air core drilling program has commenced in the Tomingley to Peak Hill prospective corridor.

The Company continues to work with a leaseholder regarding the timing of access to follow up the porphyry/epithermal style gold-copper mineralisation identified in the Kaiser-Boda areas. Geological mapping and high-resolution ground magnetics have been completed to assist with drilling target definition within the Cudal and Rockley projects.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group intends to continue evaluation activities in relation to the Dubbo Project in line with details provided in the Review of Operations. Efforts at Tomingley Gold Operations continue to be focused on optimising performance for the remaining open cut mine life and development of underground operations. Exploration and evaluation activities will continue on existing tenements and opportunities to expand the Group's tenement portfolio will be pursued with a view to ensuring there is a pipeline of development opportunities to be considered.

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

ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in respect of its exploration and evaluation, development and mining activities.

The Group aspires to the highest standards of environmental management and insists its staff and contractors maintain that standard. A significant environmental incident is considered to be one that causes a major impact or impacts to land biodiversity, ecosystem services, water resources or air, with effects lasting greater than one year. There were no significant environmental incidents reported at any of the Group's operations.

MEETINGS OF DIRECTORS

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2018, and the number of meetings attended by each director, were:

	FULL MEETINGS OF DIRECTORS		MEETINGS OF COMMITTEES					
			AUDIT		NOMINATION		REMUNERATION	
	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED	HELD
I J Gandel	11	11	3	3	2	2	2	2
A D Lethlean	11	11	3	3	2	2	2	2
D I Chalmers	11	11	3*	3*	2	2	*	*
G Smith	7	7	2	2	1	1	1	1
J S F Dunlop	2	2	1	1	1	1	1	1
N Earner	9	9	3*	3*	*	*	*	*

Held: represents the number of meetings held during the time the director held office or was a member of the committee during the year.

* Not a member of the relevant committee. D I Chalmers and N Earner attended the audit committee meetings by invitation.

For personal use only

REMUNERATION REPORT

The Directors are pleased to present Alkane Resources Ltd's remuneration report, which sets out remuneration information for the Company's Non-Executive Directors, Executive Directors and other key management personnel.

The report contains the following sections:

(a) Key management personnel disclosed in this report
(b) Remuneration governance
(c) Use of remuneration consultants
(d) Executive remuneration policy and framework
(e) Statutory performance indicators
(f) Non-Executive Director remuneration policy
(g) Voting and comments made at the Company's 2017 Annual General Meeting
(h) Details of remuneration
(i) Service agreements
(j) Details of share based payments and performance against key metrics
(k) Shareholdings and share rights held by key management personnel
(l) Other transactions with key management personnel

(a) KEY MANAGEMENT PERSONNEL DISCLOSED IN THIS REPORT

Non-Executive and Executive Directors

I J Gandel	D I Chalmers
N Earner (from 1 September 2017)	G Smith (from 29 November 2017)
A D Lethlean	J S F Dunlop (until 1 September 2017)

Other key management personnel

M Ball	Chief Financial Officer (until 7 June 2018)
A MacDonald	General Manager – Marketing
K E Brown	Company Secretary (until 29 March 2018)
D Wilkins	Company Secretary (appointed 29 March 2018)

There have been no changes to Directors or key management personnel since the end of the reporting period.

(b) REMUNERATION GOVERNANCE

The Company has established a Remuneration Committee to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations to the Board on:

- the overall remuneration strategy and framework for the Company;
- the operation of the incentive plans which apply to the executive team, including the appropriateness of key performance indicators and performance hurdles; and
- the assessment of performance of and remuneration of the Executive Directors, Non-Executive Directors and other key management personnel.

The Remuneration Committee is a committee of the Board and at the date of this report the members were independent Non-Executive Directors I J Gandel, A D Lethlean and G Smith.

Their objective is to ensure that remuneration policies and structures are fair, competitive and aligned with the long-term interests of the Company and its shareholders.

The Company's annual Corporate Governance Statement provides further information on the role of this committee.

(c) USE OF REMUNERATION CONSULTANTS

No remuneration consultants were engaged in the financial year to provide remuneration advice.

For personal use only

REMUNERATION REPORT (continued)

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK

In determining Executive remuneration, the Board (or the Remuneration Committee as its delegate) aims to ensure that remuneration practices:

- are competitive and reasonable, enabling the Company to attract and retain key talent while building a diverse, sustainable and high achieving workforce;
- are aligned to the Company's strategic and business objectives and the creation of shareholder value;
- promote a high-performance culture recognising that leadership at all levels is a critical element in this regard;
- are transparent; and
- are acceptable to shareholders.

The Executive remuneration framework has three components:

- Total Fixed Remuneration (TFR);
- Short-Term Incentives (STI); and
- Long-Term Incentives (LTI).

(i) Executive remuneration mix

The Company has in place Executive incentive programs which provide the mechanism to place a material portion of Executive pay "at risk".

(ii) Total fixed remuneration

A review is conducted of remuneration for all employees and Executives on an annual basis, or as required. The Remuneration Committee is responsible for determining Executive TFR.

(iii) Incentive arrangements

The Company uses both short-term and long-term incentive programs to balance the short- and long-term aspects of business performance, to reflect market practice, to attract and retain key talent and to ensure a strong alignment between the incentive arrangements of Executives and the creation and delivery of shareholder return.

The Company has used both performance rights and share appreciation rights as the mechanisms for Executive incentives. The performance rights plan was approved by shareholders at the 2016 Annual General Meeting and the share appreciation rights plan was approved by shareholders at the 2014 Annual General Meeting.

Long-term incentives

The LTI is designed to focus Executives on delivering long-term shareholder returns. Eligibility for the plan is restricted to Executives and nominated senior managers, being the employees who are most able to influence shareholder value. Under the plan, participants have an opportunity to earn up to 100% of their total fixed remuneration (calculated at the time of approval by the Remuneration Committee) comprised of part performance rights and part share appreciation rights, provided that predefined targets are met over a three-year performance period. Performance rights are the reward vehicle for targets that are milestone-based whereas share appreciation rights are the reward vehicle for shareholder return targets as the number of shares to be issued upon vesting is impacted by the quantum of shareholder value created. The LTI vesting period is three years.

The performance rights component of the LTI will be provided in the form of rights to ordinary shares in Alkane Resources Ltd that will vest at the end of the three-year vesting period provided the predefined targets are met. On vesting, the rights automatically convert into one ordinary share each. Participants do not receive any dividends and are not entitled to vote in relation to the rights to shares prior to the vesting period. If a participant ceases to be employed by the Group within this period, the rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

Under the share appreciation rights plan, participants are granted rights to receive fully paid ordinary shares in the Company. Rights will only vest if the predefined TSR performance condition is met. If a participant ceases to be employed by the Group within this period, the rights will be forfeited, except in limited circumstances that are approved by the Board on a case-by-case basis.

Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan.

An absolute TSR target, as opposed to a TSR target relative to an index or a peer group, has been used to reflect:

- the developmental stage of the Dubbo Project and the impact that the successful development is expected to have on the market value of the Group; and
- the absence of a sufficient number of comparable companies to benchmark against.

Targets are generally reviewed annually and set for a forward three-year period. Targets reflect factors such as the expectations of the Group's business plans, the stage of development of the Group's projects and the industry business cycle. The most appropriate target benchmark (i.e. the use of an absolute or a relative TSR target) will be reviewed each year prior to the granting of rights.

For personal use only

REMUNERATION REPORT (continued)

(d) EXECUTIVE REMUNERATION POLICY AND FRAMEWORK (continued)

(iii) Incentive arrangements (continued)

Long-term incentives (continued)

Vesting of the rights is subject to the Group's TSR, including share price growth, dividends and capital returns, exceeding certain growth hurdles over a three-year period.

The Remuneration Committee is responsible for determining the LTI to vest based on an assessment of whether the predefined targets are met. To assist in this assessment, the Committee receives detailed reports on performance from management. The Committee has the discretion to adjust LTIs downwards in light of unexpected or unintended circumstances.

(iv) Clawback policy for incentives

Under the terms and conditions of the Company's incentive plan offer and the plan rules, the Board (or the Remuneration Committee as its delegate) has discretion to determine forfeiture of unvested equity awards in certain circumstances (e.g. unlawful, fraudulent or dishonest behaviour or serious breach of obligations to the Company). All incentive offers and final outcomes are subject to the full discretion of the Board (or the Remuneration Committee as its delegate).

(v) Share trading policy

The trading of shares issued to participants under any of the Company's employee share plans is subject to, and conditional upon, compliance with the Company's employee share trading policy. Executives are prohibited from entering into any hedging arrangements over unvested rights under the Company's employee incentive plans. The Company would consider a breach of this policy as gross misconduct which may lead to disciplinary action and potentially dismissal.

(e) STATUTORY PERFORMANCE INDICATORS

The Company aims to align executive remuneration to the Company's strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the specific measures in determining the variable amounts of remuneration to be awarded to key management personnel (KMP). As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration rewarded.

	30 JUNE 2018	30 JUNE 2017	30 JUNE 2016	30 JUNE 2015	30 JUNE 2014
Revenue ($'000)	**129,974**	117,792	109,624	102,467	25,264
Profit/(loss) for the year attributable to owners ($'000)	**24,471**	(28,937)	4,695	(4,086)	(6,170)
Basic earnings/(loss) per share (cents)	**4.8**	(5.8)	1.1	(1.0)	(1.7)
Dividends payments ($'000)	**-**	-	-	-	-
Share price at period end ($)	**0.23**	0.24	0.20	0.28	0.27
Total KMP incentives as a percentage of profit/(loss) for the year (%)	**3.0%**	0.3%	3.0%	0.0%	0.0%

(f) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY

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 policies and terms, including remuneration, relevant to the office of Director.

Non-Executive Directors receive a Board fee and fees for chairing or participating on Board Committees. Non-Executive Directors appointed do not receive retirement allowances. Fees provided are inclusive of superannuation and the Non-Executive Directors do not receive performance-based pay.

Fees are reviewed annually by the Remuneration Committee taking into account comparable roles and market data obtained from independent data providers. The current base fees for Non-Executive Directors have not changed since 1 January 2013.

The maximum annual aggregate Directors' fee pool limit (inclusive of applicable superannuation) is $700,000 and was approved by shareholders at the Annual General Meeting on 16 May 2013.

For personal use only

REMUNERATION REPORT (continued)

(f) NON-EXECUTIVE DIRECTOR REMUNERATION POLICY (continued)

Details of Non-Executive Director fees in the year ended 30 June 2018 are as follows:

	$ PER ANNUM
Base fees	
Chair	125,000
Other Non-Executive Directors	75,000
Additional fees	
Audit Committee – chair	7,500
Audit Committee – member	5,000
Remuneration Committee – chair	7,500
Remuneration Committee – member	5,000

For services in addition to ordinary services, Non-Executive Directors may charge per diem consulting fees at the rate specified by the Board from time to time for a maximum of four days per month over a 12-month rolling basis. Any fees in excess of this limit are to be approved by the Board.

(g) VOTING AND COMMENTS MADE AT THE COMPANY'S 2017 ANNUAL GENERAL MEETING

The Company received more than 89% of "yes" votes on its remuneration report for the last financial period ended 30 June 2017. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

(h) DETAILS OF REMUNERATION

The following table shows details of the remuneration expense recognised for the Directors and the key management personnel (KMP) of the Group for the current and previous financial year measured in accordance with the requirements of the accounting standards.

	FIXED REMUNERATION					VARIABLE REMUNERATION	TOTAL
30 JUNE 2018	CASH SALARY[a] $	NON MONETARY BENEFITS[a] $	ANNUAL AND LONG SERVICE LEAVE[b] $	POST-EMPLOYMENT BENEFITS[c] $	OTHER[b] $	RIGHTS TO DEFERRED SHARES[d] $	$
Executive Directors							
N Earner [f]	**457,545**	**-**	**25,045**	**23,059**	**-**	**623,905**	**1,129,554**
D I Chalmers	**208,402**	**32,726**	**149,596**	**19,798**	**-**	**133,010**	**543,532**
Other KMP							
M Ball	**331,938**	**-**	**11,228**	**21,845**	**-**	**(117,000)**	**248,011**
A MacDonald	**360,000**	**69,300**	**25,670**	**33,250**	**-**	**99,176**	**587,396**
D Wilkins [e]	**43,177**	**-**	**-**	**-**	**-**	**-**	**43,177**
K E Brown [e]	**152,500**	**33,000**	**-**	**-**	**-**	**-**	**185,500**
Total Executive Directors and other KMP	**1,553,562**	**135,026**	**211,539**	**97,952**	**-**	**739,091**	**2,737,170**
Total NED remuneration[g]	**258,487**	**-**	**-**	**19,846**	**125,000**	**-**	**403,333**
Total KMP remuneration expense	**1,812,049**	**135,026**	**211,539**	**117,798**	**125,000**	**739,091**	**3,140,503**

For personal use only

REMUNERATION REPORT (continued)

(h) DETAILS OF REMUNERATION (continued)

30 JUNE 2017	FIXED REMUNERATION					VARIABLE REMUNERATION	TOTAL
	CASH SALARY[a] $	NON MONETARY BENEFITS[a] $	ANNUAL AND LONG SERVICE LEAVE[b] $	POST-EMPLOYMENT BENEFITS[c] $	OTHER[b] $	RIGHTS TO DEFERRED SHARES[d] $	$
Executive Director							
D I Chalmers	360,000	36,296	14,571	34,200	-	117,141	562,208
Other KMP							
N Earner	397,213	-	14,145	36,407	-	128,856	576,621
M Ball	347,782	-	13,501	29,985	-	101,523	492,791
A MacDonald	150,000	-	383	13,854	-	-	164,237
K E Brown [e]	210,000	-	-	-	-	-	210,000
Total Executive Directors and other KMP	1,464,995	36,296	42,600	114,446	-	347,520	2,005,857
Total NED remuneration[g]	283,106	-	-	26,894	-	-	310,000
Total KMP remuneration expense	1,748,101	36,296	42,600	141,340	-	347,520	2,315,857

(a) Short-term benefits as per *Corporations Regulation 2M.3.03(1) Item 6.*

(b) Other long-term benefits as per *Corporations Regulation 2M.3.03(1) Item 8*. The amounts disclosed in this column represent the movements in the associated provisions. They may be negative where a KMP has taken more leave than accrued during the year.

(c) Post-employment benefits are provided through superannuation contributions.

(d) Rights to deferred shares granted under the executive STI and LTI schemes are expensed over the performance period, which includes the year to which the incentive relates and the subsequent vesting period of the rights.

Rights to deferred shares are equity-settled share-based payments as per the *Corporations Regulations 2M.3.03(1) Item 11*. These include negative amounts for the rights forfeited during the year.

Details of each grant of share right are provided in the table in section (j). Shareholder approval was received in advance to the grant of share rights where required.

(e) Corporate administration and company secretarial fees paid to Mineral Administration Services Pty Ltd, a Company associated with Ms Brown who retired on 29 March 2018.

Company secretarial services were paid to DWCorporate Pty Ltd from 29 March 2018, a Company associated with Mr Wilkins.

(f) Mr Earner was appointed as Managing Director on 1 September 2017. Before this appointment he was the group's Chief Operations Officer. Amounts shown above include all Mr Earner's remuneration during the reporting period, whether as Director or as Chief Operations Officer. Amounts received in his position as Managing Director total $954,266 made up of cash salary of $389,118, annual leave and long service leave of -$3,722 as previously accrued annual leave as Chief Operations Officer was utilised, post-employment benefits of $19,215 and rights to deferred shares of $549,655.

Mr Chalmers resigned as Managing Director in 1 September 2017 and was appointed Technical Director. Amounts showing above include all Mr Chalmers' remuneration during the reporting period, whether as Managing Director or as Technical Director. Due to a change in salary, previously accrued annual leave and long service leave entitlements were valued at the new rate, resulting in an additional $104,180 of leave entitlement benefits.

(g) Refer below for details of Non-Executive Directors' (NED) remuneration.

30 JUNE 2018	CASH SALARY AND FEES $	OTHER $	SUPERANNUATION $	TOTAL $
Non-Executive Directors				
I J Gandel	**108,067**	**-**	**10,266**	**118,333**
A D Lethlean	**79,909**	**-**	**7,591**	**87,500**
G Smith	**49,583**	**-**	**-**	**49,583**
J S F Dunlop [1]	**20,928**	**125,000**	**1,988**	**147,916**
Total Non-Executive Directors	**258,487**	**125,000**	**19,845**	**403,332**

(1) Other benefits include an ex gratia payment paid to Mr Dunlop upon resignation.

For personal use only

REMUNERATION REPORT (continued)

(h) DETAILS OF REMUNERATION (continued)

30 JUNE 2017	CASH SALARY AND FEES $	SUPERANNUATION $	TOTAL $
Non-Executive Directors			
I J Gandel	77,626	7,374	85,000
A D Lethlean	79,909	7,591	87,500
J S F Dunlop	125,571	11,929	137,500
Total Non-Executive Directors	283,106	26,894	310,000

The relative proportions of remuneration expense recognised during the year that are linked to performance and those that are fixed are as follows:

	FIXED REMUNERATION		AT RISK - STI		AT RISK - LTI	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Executive Directors of Alkane Resources Ltd						
I Chalmers	**76**	79	**-**	-	**24**	21
N Earner	**45**	78	**-**	-	**55**	22
Other Key Management Personnel						
M Ball	**100**	79	**-**	-	**-**	21
A MacDonald	**83**	100	**-**	-	**17**	-
D Wilkins	**100**	-	**-**	-	**-**	-
K E Brown	**100**	100	**-**	-	**-**	-

N Earner was appointed Managing Director 1 September 2017, the entitlements prior to this relate to his role as Chief Operations Officer.

M Ball resigned during the year and forfeited the rights to deferred shares.

K E Brown and D Wilkins were not employees of the Company and therefore not eligible to participate in incentive programs. Instead a fee for services rendered is paid as set out previously.

(i) SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

NAME AND POSITION	TERM OF AGREEMENT	TFR[1]	TERMINATION PAYMENT[2]
D I Chalmers - Technical Director	On-going commencing 1 September 2017	$120,000	6 months
N Earner - Managing Director	On-going commencing 1 September 2017	$490,000	see note 2 below
A MacDonald - General Manager - Marketing	On-going commencing 1 February 2017	$394,200	6 months
D Wilkins - Company Secretary [3]	On-going commencing 29 March 2018	see note 3 below	see note 3 below

(1) Total Fixed Remuneration (TFR) is for the year ended 30 June 2018 and is inclusive of superannuation but does not include long service leave accruals. TFR is reviewed annually by the Remuneration Committee. Mr Chalmers' TFR represents his role as Technical Director and does not include other director fees.

(2) Specified termination payments are within the limits set by the *Corporations Act 2001*. The termination benefit provision for the Managing Director was approved at the Annual General Meeting on 29 November 2017. Mr Earner may resign with three months' notice; or Alkane may terminate the Executive Employment agreement with three months' notice; or where Mr Earner resigns as a result of a material diminution in the position, Mr Earner will be entitled to payment in lieu of 12 months' notice and short-term incentives and long-term incentives granted or issued but not yet vested.

(3) Mr Wilkins' agreement commenced 29 March 2018 until terminated in writing by either party, a four-month notice period of termination is required and no monies are payable consequent to termination. Mr Wilkins' firm, DW Corporate Pty Ltd, is engaged to provide company secretarial and corporate advisory services. Fees are charged on an hourly basis, and all amounts are disclosed in the remuneration table in section (h).

For personal use only

REMUNERATION REPORT (continued)

(j) DETAILS OF SHARE BASED PAYMENTS AND PERFORMANCE AGAINST KEY METRICS

Details of each grant of share rights affecting remuneration in the current or future reporting period are set out below.

NAME	DATE OF GRANT	NUMBER OF RIGHTS GRANTED	FAIR VALUE OF SHARE RIGHTS AT DATE OF GRANT $	SHARE RIGHTS AT FAIR VALUE $	PERFORMANCE PERIOD END	SHARE BASED PAYMENT EXPENSE CURRENT YEAR $
Executive Director						
I Chalmers						
FY2016 LTI - Share Appreciation Rights	18/11/15	2,250,000	0.09	202,500	30/6/18	67,500
FY2016 LTI - Performance Rights	18/11/15	562,500	0.25	140,625	30/6/18	0
FY2018 LTI - Performance Rights - Tranche 1	4/12/17	710,960	0.24	170,630	30/6/20	56,877
FY2018 LTI - Performance Rights - Tranche 2	4/12/17	152,348	0.34	51,798	30/6/20	8,633
N Earner						
FY2016 LTI - Share Appreciation Rights	18/11/15	2,475,000	0.09	222,750	30/6/18	74,250
FY2016 LTI - Performance Rights	18/11/15	618,750	0.25	154,688	30/6/18	0
FY2018 LTI - Performance Rights - Tranche 1	4/12/17	5,965,251	0.24	1,431,660	30/6/20	477,220
FY2018 LTI - Performance Rights - Tranche 2	4/12/17	1,278,268	0.34	434,611	30/6/20	72,435
Other Key Management Personnel						
M Ball						
FY2016 LTI - Share Appreciation Rights	18/11/15	1,950,000	0.09	175,500	30/6/18	(117,000)
FY2016 LTI - Performance Rights	18/11/15	487,500	0.25	121,875	30/6/18	0
FY2018 LTI - Performance Rights - Tranche 1	11/10/17	953,872	0.25	238,468	30/6/20	0
FY2018 LTI - Performance Rights - Tranche 2	11/10/17	204,401	0.345	70,518	30/6/20	0
A MacDonald						
FY2018 LTI - Performance Rights - Tranche 1	4/12/17	1,036,817	0.25	259,204	30/6/20	86,401
FY2018 LTI - Performance Rights - Tranche 2	4/12/17	222,175	0.345	76,650	30/6/20	12,775

(a) The value at grant date for share rights granted during the year as part of remuneration is calculated in accordance with AASB 2 Share-Based Payments. Differences will arise between the number of share rights at fair value in the table above and the STI and LTI percentages mentioned in section (d) due to different timing of valuation of rights as approved by the Remuneration Committee and at grant. Refer to note 32 for details of the valuation techniques used for the rights plan.

(b) Share rights only vest if performance and service targets are achieved. The determination is usually made at the conclusion of the statutory audit.

The number and percentage of share rights that vested and the number and percentage of share rights that were forfeited relating to a performance period which ended during the current financial year are set out below.

NAME	VESTING DATE	NUMBER OF RIGHTS GRANTED	% OF SHARE RIGHTS VESTED	NUMBER OF SHARE RIGHTS VESTED	% OF SHARE RIGHTS FORFEITED	NUMBER OF SHARE RIGHTS FORFEITED
Executive Directors						
I Chalmers						
FY2016 LTI - Performance rights	30/6/18	562,500	0%	-	100%	562,500
FY2016 LTI - Share appreciation rights	30/6/18	2,250,000	0%	-	100%	2,250,000
N Earner						
FY2016 LTI - Performance rights	30/6/18	618,750	0%	-	100%	618,750
FY2016 LTI - Share appreciation rights	30/6/18	2,475,000	0%	-	100%	2,475,000
Other Key Management Personnel						
M Ball						
FY2016 LTI - Performance rights	30/6/18	487,500	0%	-	100%	487,500
FY2016 LTI - Share appreciation rights	30/6/18	1,950,000	0%	-	100%	1,950,000

For personal use only

REMUNERATION REPORT (continued)

(j) DETAILS OF SHARE BASED PAYMENTS AND PERFORMANCE AGAINST KEY METRICS (continued)

The determination of the number of rights that are to vest or be forfeited is made by the Remuneration Committee after the statutory audit has been substantially completed. As such, the actual determination was made after the balance date, however details have been included in the current Remuneration Report as the relevant performance period concluded at the end of the current financial year.

Performance against key metrics

No short-term incentives were issued to Executives during the year.

The vesting period for the FY2016 LTI ended at 30 June 2018. The LTI consisted of performance rights, being the reward vehicle for targets that are milestone-based, and share appreciation rights, being the reward vehicle for shareholder return-based targets, with the number of shares to be issued upon vesting being impacted by the quantum of shareholder value created.

The table below provides details of the actual performance against the LTI performance metrics.

LTI REWARD VEHICLE	PERFORMANCE METRICS	WEIGHTING	VESTED	OUTCOME
Performance Rights	Progress of evaluation and development of Dubbo Project towards production	40%	0%	Performance threshold not met
	Increase project net present value for Tomingley site	10%	0%	Performance threshold not met
Share Appreciation Rights	Absolute total shareholder return (TSR)	50%	0%	TSR threshold not met

Vesting of the share appreciation rights was subject to the Company's TSR, including share price growth, dividends and capital returns, exceeding certain growth hurdles over the three-year performance period as set out in the table below.

TSR COMPOUND ANNUAL GROWTH RATE (CAGR)	% SHARE APPRECIATION RIGHTS VESTING
Less than 15% CAGR	Nil
Above 15% CAGR up to 25% CAGR	Pro rata vesting from 50% - 100%
Above 25% CAGR	100%

(k) SHAREHOLDINGS AND SHARE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL

Shareholdings

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	RECEIVED AS PART OF REMUNERATION	ADDITIONS	DISPOSALS/ OTHER	BALANCE AT THE END OF THE YEAR
Ordinary shares					
I J Gandel	109,869,451	-	1,391,766	-	111,261,217
A D Lethlean	520,076	-	-	-	520,076
D I Chalmers	3,018,791	133,333	1,000,000	-	4,152,124
N Earner	210,375	146,666	-	(210,375)	146,666
G Smith*	-	-	142,000	-	142,000
J S F Dunlop	1,123,200	-	-	**(1,123,200)	-
A MacDonald	500,000	210,000	-	-	710,000
M Ball	165,750	115,555	-	**(281,305)	-
K E Brown	854,992	100,000	-	**(954,992)	-
	116,262,635	705,554	2,533,766	(2,569,872)	116,932,083

* Nil shares held at date of appointment

** Balance held at respective dates of resignation

For personal use only

REMUNERATION REPORT (continued)

(k) SHAREHOLDINGS AND SHARE RIGHTS HELD BY KEY MANAGEMENT PERSONNEL (continued)

Performance and share appreciation rights holding

The number of performance and share appreciation rights over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	BALANCE AT THE START OF THE YEAR	GRANTED	VESTED	EXPIRED/ FORFEITED/ OTHER	BALANCE AT THE END OF THE YEAR
Performance and share appreciation rights over ordinary shares					
D I Chalmers – Performance rights	562,500	863,308	-	(562,500)	863,308
D I Chalmers – Share appreciation rights	2,250,000	-	-	(2,250,000)	-
N Earner – Performance rights	618,750	7,243,519	-	(618,750)	7,243,519
N Earner – Share appreciation rights	2,475,000	-	-	(2,475,000)	-
M Ball – Performance rights	487,500	1,158,273	-	(1,645,773)	-
M Ball – Share appreciation rights	1,950,000	-	-	(1,950,000)	-
A MacDonald – Performance rights	-	1,258,992	-	-	1,258,992
	8,343,750	10,524,092	-	(9,502,023)	9,365,819

The determination of the number of rights that are to vest or be forfeited is made by the Remuneration Committee after the statutory audit has been substantially completed. As such, the actual determination was made after the balance date, however details have been included in the current Remuneration Report as the relevant performance period is the current financial year.

(l) OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

During the period, 100,000 ordinary shares were issued to Mineral Administration Services Pty Ltd, a company in which Ms K E Brown, Company Secretary until 29 March 2018, has a substantial financial interest, as well as 210,000 shares to Technical Marketing Ceramic Services Pty Ltd which A MacDonald, the General Manager of Marketing and key management person has a substantial financial interest.

This concludes the remuneration report, which has been audited.

INDEMNITY AND INSURANCE OF OFFICERS

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

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

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

The Group has not otherwise, during or since the financial year, indemnified nor agreed to indemnify an officer of the Group or of any related body corporate, against a liability incurred as such by an officer.

During the year the Company has paid premiums in respect of Directors' and Executive Officers' insurance. The contracts contain prohibitions on disclosure of the amount of the premiums and the nature of the liabilities under the policies.

For personal use only

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group is important.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The Directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

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

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 immediately after this Directors' Report.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding-off' of amounts in the Directors' Report and Financial Report. Amounts in this report have been rounded off in accordance with that ASIC Legislative Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

On behalf of the Directors



N Earner
Managing Director

Perth
30 August 2018

For personal use only

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Alkane Resources Limited for the year ended 30 June 2018, 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 audit; and

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

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

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
30 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

Consolidated Financial Statements

- Consolidated statement of comprehensive income 43
- Consolidated balance sheet 44
- Consolidated statement of changes in equity 45
- Consolidated statement of cash flows 46

Notes to the Consolidated Financial Statements 47

- Note 1. Segment information 47
- Note 2. Revenue 48
- Note 3. Expenses 48
- Note 4. Other net income 49
- Note 5. Income tax 49
- Note 6. Current assets – cash and cash equivalents 52
- Note 7. Current assets – trade and other receivables 53
- Note 8. Current assets – inventories 53
- Note 9. Current assets – biological assets 54
- Note 10. Non-current assets – exploration and evaluation 54
- Note 11. Non-current assets – property, plant and equipment 55
- Note 12. Non-current assets – biological assets 57
- Note 13. Non-current assets – Impairment of non-current assets 57
- Note 14. Non-current assets – other financial assets 58
- Note 15. Current liabilities – trade and other payables 58
- Note 16. Current liabilities – income tax 58
- Note 17. Current liabilities – provisions 59
- Note 18. Non-current liabilities – provisions 61
- Note 19. Equity – issued capital 61
- Note 20. Equity – reserves 61
- Note 21. Equity – accumulated losses 62
- Note 22. Critical accounting judgements, estimates and assumptions 62
- Note 23. Financial risk management 63
- Note 24. Capital risk management 65
- Note 25. Key management personnel disclosures 65
- Note 26. Remuneration of auditors 65
- Note 27. Contingent assets 65
- Note 28. Contingent liabilities 65
- Note 29. Commitments 66
- Note 30. Events after the reporting period 67
- Note 31. Related party transactions 67
- Note 32. Share-based payments 67
- Note 33. Earnings per share 69
- Note 34. Assets pledged as security 70
- Note 35. Parent entity information 70
- Note 36. Interests in subsidiaries 71
- Note 37. Reconciliation of profit/(loss) after income tax to net cash from operating activities 71
- Note 38. Significant accounting policies 72

Directors' declaration 75

Independent auditor's report to the members of Alkane Resources Ltd 76

For personal use only

These financial statements are consolidated financial statements for the Group consisting of Alkane Resources Ltd and its subsidiaries. A list of major subsidiaries are included in note 36.

The financial statements are presented in the Australian currency.

Alkane Resources Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Alkane Resources Ltd
89 Burswood Road
Burswood WA 6100

The financial statements were authorised for issue by directors on 30 August 2018. The directors have the power to amend and reissue the financial statements.

All press releases, financial reports and other information are available at our Shareholders' Centre on our website: www.alkane.com.au.

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Continuing operations			
Revenue	2	**129,974**	117,792
Cost of sales	3	**(89,323)**	(99,338)
Gross profit		**40,651**	18,454
Other net income	4	**1,548**	539
Expenses			
Other expenses	3	**(10,280)**	(51,526)
Finance costs		**(603)**	(1,035)
Total expenses		**(10,883)**	(52,561)
Profit/(loss) before income tax (expense)/benefit		**31,316**	(33,568)
Income tax (expense)/benefit	5	**(6,845)**	4,631
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Alkane Resources Ltd	21	**24,471**	(28,937)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income/(loss) for the year attributable to the owners of Alkane Resources Ltd		**24,471**	(28,937)

	NOTE	CENTS	CENTS
Basic earnings per share	33	**4.8**	(5.8)
Diluted earnings per share	33	**4.8**	(5.8)

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

For personal use only

AS AT 30 JUNE 2018

	NOTE	30 JUNE 2018 $'000	30 JUNE 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**72,003**	41,969
Trade and other receivables	7	**2,030**	2,445
Inventories	8	**19,153**	9,644
Biological assets	9	**12**	218
Total current assets		**93,198**	54,276
Non-current assets			
Exploration and evaluation	10	**93,136**	83,107
Property, plant and equipment	11	**36,266**	60,627
Biological assets	12	**526**	507
Other financial assets	14	**8,347**	4,233
Total non-current assets		**138,275**	148,474
Total assets		**231,473**	202,750
LIABILITIES			
Current liabilities			
Trade and other payables	15	**9,299**	11,166
Income tax	16	**6,929**	-
Provisions	17	**11,202**	8,169
Total current liabilities		**27,430**	19,335
Non-current liabilities			
Provisions	18	**13,647**	18,488
Total non-current liabilities		**13,647**	18,488
Total liabilities		**41,077**	37,823
Net assets		**190,396**	164,927
EQUITY			
Issued capital	19	**220,160**	219,948
Reserves	20	**2,116**	1,330
Accumulated losses	21	**(31,880)**	(56,351)
Total equity		**190,396**	164,927

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

For personal use only

FOR THE YEAR ENDED 30 JUNE 2018

	SHARE CAPITAL $'000	SHARE-BASED PAYMENTS RESERVE $'000	ACCUMULATED LOSSES $'000	TOTAL EQUITY $'000
Balance at 1 July 2016	213,791	3,933	(27,414)	190,310
Loss after income tax benefit for the year	-	-	(28,937)	(28,937)
Total comprehensive loss for the year	-	-	(28,937)	(28,937)
Share placement (Note 19)	4,141	-	-	4,141
Share issue transaction costs (Note 19)	(670)	-	-	(670)
Share based payments (Note 19)	2,570	(2,603)	-	(33)
Deferred tax recognised in equity (Note 19)	116	-	-	116
Balance at 30 June 2017	219,948	1,330	(56,351)	164,927
Balance at 1 July 2017	**219,948**	**1,330**	**(56,351)**	**164,927**
Profit after income tax expense for the year	**-**	**-**	**24,471**	**24,471**
Total comprehensive income for the year	**-**	**-**	**24,471**	**24,471**
Share issue transaction costs (Note 19)	**(5)**	**-**	**-**	**(5)**
Share based payments (Notes 19 and 20)	**301**	**786**	**-**	**1,087**
Deferred tax recognised in equity (Note 19)	**(84)**	**-**	**-**	**(84)**
Balance at 30 June 2018	**220,160**	**2,116**	**(31,880)**	**190,396**

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

For personal use only

FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Cash flows from operating activities			
Receipts from customers		**128,801**	117,338
Payments to suppliers and employees (inclusive of GST)		**(72,240)**	(60,250)
		56,561	57,088
Interest received		**1,175**	454
Finance costs paid		**(110)**	(719)
Royalties and selling costs		**(4,649)**	(2,723)
Other receipts		**1,556**	648
Net cash from operating activities	37	**54,533**	54,748
Cash flows from investing activities			
Payments for property, plant and equipment		**(9,224)**	(33,551)
Proceeds from disposal of property, plant and equipment		**-**	53
Payments for exploration expenditure		**(10,969)**	(10,154)
Payments for security deposits		**(4,114)**	(2,028)
Refund of security deposits		**-**	4,991
Purchase of biological assets		**(203)**	-
Net cash used in investing activities		**(24,510)**	(40,689)
Cash flows from financing activities			
Proceeds from issue of shares	19	**-**	4,141
Cost of share issue	19	**(5)**	(670)
Proceeds from borrowings		**993**	7,912
Repayment of borrowings		**(977)**	(7,928)
Net cash from financing activities		**11**	3,455
Net increase in cash and cash equivalents		**30,034**	17,514
Cash and cash equivalents at the beginning of the financial year		**41,969**	24,455
Cash and cash equivalents at the end of the financial year	6	**72,003**	41,969

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

For personal use only

For personal use only

30 JUNE 2018

NOTE 1. SEGMENT INFORMATION

The consolidated entity is organised into two operating segments: gold operations and the exploration and evaluation of rare metals. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

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 Group has formed a tax consolidation group and therefore tax balances have been allocated to the unallocated grouping. The Group utilises a central treasury function and therefore the cash balances have been allocated to the unallocated segment.

	GOLD OPERATIONS $'000	RARE METALS $'000	UNALLOCATED $'000	GROUP $'000
30 June 2018				
Gold sales to external customers	**128,799**	**-**	**-**	**128,799**
Interest income	**-**	**-**	**1,175**	**1,175**
	128,799	**-**	**1,175**	**129,974**
Segment net profit before income tax	**38,591**	**(108)**	**(7,167)**	**31,316**
Segment net profit includes the following non-cash adjustments:				
Depreciation and amortisation	**(38,019)**	**(4)**	**(260)**	**(38,283)**
Deferred stripping costs capitalised	**4,280**	**-**	**-**	**4,280**
Exploration expenditure written off or provided for	**-**	**-**	**(181)**	**(181)**
Inventory product movement and provision	**9,884**	**-**	**-**	**9,884**
Restructuring provision	**(496)**	**-**	**-**	**(496)**
Total adjustments	**(24,351)**	**(4)**	**(441)**	**(24,796)**
Total segment assets	**37,180**	**109,902**	**84,391**	**231,473**
Total segment liabilities	**(31,120)**	**(1,268)**	**(8,689)**	**(41,077)**
Net segment assets	**6,060**	**108,634**	**75,702**	**190,396**
30 June 2017				
Gold sales to external customers	117,338	-	-	117,338
Interest income	-	-	454	454
	117,338	-	454	117,792
Segment net loss before income tax	(25,986)	(478)	(7,104)	(33,568)
Segment net loss includes the following non-cash adjustments:				
Depreciation and amortisation	(42,265)	(3)	(276)	(42,544)
Deferred stripping costs capitalised	26,603	-	-	26,603
Impairment charges	(39,975)	-	-	(39,975)
Exploration expenditure written off or provided for	-	(5)	(160)	(165)
Restructuring provision	(2,965)	-	-	(2,965)
Inventory product movement and provision	(2,660)	-	-	(2,660)
Income tax benefit	-	-	4,631	4,631
Total adjustments	(61,262)	(8)	4,195	(57,075)
Total segment assets	48,916	101,419	52,415	202,750
Total segment liabilities	(34,297)	(1,505)	(2,021)	(37,823)
Net assets	14,619	99,914	50,394	164,927

30 JUNE 2018

NOTE 2. REVENUE

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Revenue from continuing operations		
Gold sales	**128,799**	117,338
Interest income	**1,175**	454
	129,974	117,792

(a) REVENUE

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met where applicable.

(b) GOLD SALES

Revenue from gold sales is recognised when there has been a transfer of risk and rewards from the Group to an external party, no further processing is required by the Group, quality and quantity has been determined with reasonable accuracy and collectability is probable. Refer to note 38 for further details.

(c) INTEREST INCOME

Interest is recognised as it is accrued using the effective interest method.

NOTE 3. EXPENSES

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Cost of sales		
Cash costs of production	**61,288**	77,584
Deferred stripping costs capitalised	**(4,280)**	(26,603)
Inventory product movement	**(9,884)**	4,684
Inventory product net realisable value provision	**-**	(2,024)
Depreciation and amortisation	**38,019**	42,265
Royalties and selling costs	**4,180**	3,432
	89,323	99,338

(a) 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 $15,889,000 of employee remuneration benefits (2017: $20,139,000).

(b) DEFERRED STRIPPING COSTS CAPITALISED

Stripping costs capitalised represents 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 orebody that access is provided to on a units-of-production basis.

(c) INVENTORY PRODUCT MOVEMENT

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

Refer to note 8 for further details on the Group's accounting policy for inventory.

(d) INVENTORY PRODUCT PROVISION FOR NET REALISABLE VALUE

Inventory 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 estimated costs to complete processing and to make a sale. The net realisable value provision equals the decrement between the net realisable value and the carrying value before provision.

Refer to note 8 for further details on the Group's accounting policy for inventory.

For personal use only

For personal use only

NOTE 3. EXPENSES (continued)

	30 JUNE 2018	30 JUNE 2017
Other expenses		
Impairment charges	**-**	39,975
Restructuring provision	**496**	2,965
Corporate administration	**2,225**	2,098
Employee remuneration and benefits expensed	**1,829**	2,366
Share based payments	**1,087**	142
Professional fees and consulting services	**1,467**	1,229
Exploration expenditure provided for or written off	**188**	165
Directors' fees and salaries expensed	**726**	588
Depreciation	**264**	279
Dubbo project expenses not capitalised	**945**	997
Non-core project expenses	**1,053**	722
	10,280	51,526

NOTE 4. OTHER NET INCOME

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Net foreign exchange gains	**5**	39
Loss on disposal of non-current assets	**(2)**	(146)
Other income	**1,545**	646
	1,548	539

The other income includes agistment and livestock sales of $612,000 (2017: $290,000) from farming activity, sale of water available under certain owned water licences of $234,000 (2017: $169,000), as well as NSW government payroll tax rebate under the Job Actions Plan of $112,000 (2017: $28,000).

NOTE 5. INCOME TAX

(a) INCOME TAX EXPENSE/(BENEFIT)

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Current tax expense	**6,929**	-
Deferred tax (benefit)/expense	**(84)**	(4,631)
	6,845	(4,631)

30 JUNE 2018

NOTE 5. INCOME TAX (continued)

(b) RECONCILIATION OF INCOME TAX EXPENSE/(BENEFIT) TO PRIMA FACIE TAX PAYABLE

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Profit/(loss) before income tax expense	**31,316**	(33,568)
Tax at the Australian tax rate of 30.0% (2017 - 30%)	**9,395**	(10,070)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Tax benefits of deductible equity raising costs	**(85)**	(85)
Research and development tax incentive	**(146)**	(363)
Non-deductible share based payments	**326**	32
Other items	**16**	3
Subtotal	**9,506**	(10,483)
Movement in temporary differences	**(1,076)**	7,565
Adjustments of current tax of prior periods	**-**	(24)
Utilisation of previously unrecognised tax losses	**(1,585)**	(1,689)
Income tax expense/(benefit)	**6,845**	(4,631)

(c) DEFERRED TAX ASSETS

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Tax balance comprises temporary differences attributable to:		
Tax losses	**-**	1,066
Research and development tax incentive	**-**	3,870
Rehabilitation provisions and assets	**4,619**	4,114
Property, plant and equipment	**27,331**	21,587
Other	**2,901**	2,162
Total deferred assets	**34,851**	32,799
Set-off of deferred tax liabilities pursuant to set-off provisions	**(28,362)**	(25,234)
Net deferred tax assets	**6,489**	7,565
De-recognition of deferred tax assets	**(6,489)**	(7,565)
Net recognised deferred tax assets	**-**	-

MOVEMENTS	TAX LOSSES $'000	REHABILITATION PROVISION AND ASSETS $'000	PROPERTY, PLANT AND EQUIPMENT $'000	R&D TAX INCENTIVE CREDITS $'000	OTHER $'000	TOTAL $'000
At 1 July 2016	705	870	10,828	3,506	1,112	17,021
Charged/(credited)						
- to profit or loss	361	3,244	10,759	364	934	15,662
- direct to equity	-	-	-	-	116	116
At 30 June 2017	1,066	4,114	21,587	3,870	2,162	32,799

De-recognition of deferred tax asset charged to profit or loss	(7,565)
Net recognised deferred tax asset available for offset against deferred tax liabilities	25,234

For personal use only

For personal use only

NOTE 5. INCOME TAX (continued)

(c) DEFERRED TAX ASSETS (continued)

MOVEMENTS	TAX LOSSES $'000	REHABILITATION PROVISION AND ASSETS $'000	PROPERTY, PLANT AND EQUIPMENT $'000	R&D TAX INCENTIVE CREDITS $'000	OTHER $'000	TOTAL $'000
At 1 July 2017	**1,066**	**4,114**	**21,587**	**3,870**	**2,162**	**32,799**
Charged/(credited)						
- profit or loss	**(1,066)**	**505**	**5,745**	**(3,870)**	**822**	**2,136**
- directly to equity	**-**	**-**	**-**	**-**	**(84)**	**(84)**
At 30 June 2018	**-**	**4,619**	**27,332**	**-**	**2,900**	**34,851**

De-recognition of deferred tax asset charged to profit or loss	**(6,489)**
Net recognised deferred tax asset available for offset against deferred tax liabilities	**28,362**

(d) DEFERRED TAX LIABILITIES

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
The balance comprises temporary differences attributable to:		
Exploration expenditure	**(27,941)**	(24,932)
Other	**(421)**	(302)
Total deferred tax liabilities	**(28,362)**	(25,234)
Set-off of deferred tax assets	**28,362**	25,234
Net recognised deferred tax liabilities	**-**	-

MOVEMENTS	EXPLORATION EXPENDITURE $'000	OTHER $'000	TOTAL $'000
At 1 July 2016	21,766	2	21,768
- to profit or loss	3,166	300	3,466
At 30 June 2017	24,932	302	25,234
At 1 July 2017	**24,932**	**302**	**25,234**
- to profit or loss	**3,009**	**119**	**3,128**
At 30 June 2018	**27,941**	**421**	**28,362**

(e) DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Relating to equity raising costs	**(84)**	(116)

30 JUNE 2018

NOTE 5. INCOME TAX (continued)

(f) UNRECOGNISED TEMPORARY DIFFERENCES AND TAX LOSSES

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Unrecognised tax losses	**14,472**	19,618
Potential tax benefit at 30% (2017: 30%)	**4,342**	5,885

The potential benefit of carried forward tax losses will only be obtained if taxable income is derived of a nature and amount sufficient to enable the benefit from the deductions to be realised. In accordance with the Group's policies for deferred taxes, a deferred tax asset is recognised only if it is probable that sufficient future taxable income will be generated to offset against the asset.

Determination of future taxable profits requires estimates and assumptions as to future events and circumstances including commodity prices, ore resources, exchange rates, future capital requirements, future operational performance, the timing of estimated cash flows, the ability to successfully develop and commercially exploit resources.

Tax legislation prescribes the rate at which tax losses transferred from entities joining a tax consolidation group can be applied to taxable incomes and this rate is diluted by changes in ownership, including capital raisings. As a result the reduction in the rate at which the losses can be applied to future taxable incomes, the period of time over which it is forecast that these losses may be utilised has extended beyond that which management considers prudent to support their continued recognition for accounting purposes. Accordingly no deferred tax asset has been recognised for certain tax losses. Recognition for accounting purposes does not impact the ability of the Group to utilise the losses to reduce future taxable profits.

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

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Unrecognised temporary differences	**21,630**	25,217
Potential tax benefit at 30% (2017: 30%)	**6,489**	7,565

Deferred tax assets relating to deductible temporary differences can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary difference can be utilised. The deferred tax asset relating to impairment expense in the prior year has not been recognised at this time as it is not probable that sufficient future taxable profits will be available against which to offset the deductible temporary differences. Recognition for accounting purposes does not impact the ability of the Group to utilise the deductible temporary differences to reduce future taxable profits.

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Provision for income tax	**6,929**	-

NOTE 6. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Cash at bank	**72,003**	38,969
Cash on deposit	**-**	3,000
	72,003	41,969

Cash at bank at balance date weighted average interest rate was 1.6% (2017: 2.0%).

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions and 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.

For personal use only

For personal use only

NOTE 7. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Trade receivables	**13**	358
Prepayments	**1,073**	692
GST and fuel tax credit receivable	**944**	1,395
	2,030	2,445

(i) Classification as receivables

Other receivables generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained. Receivables are recognised initially at fair value and then subsequently measured at amortised cost, less provision for impairment. If collection of the amounts is expected in one year or less they are classified as current assets; if not, they are presented as non-current assets. Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment is established when there is objective evidence that the Group 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.

(ii) Fair value of receivables

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

(iii) Impairment and risk exposure

Information about the impairment of receivables, their credit quality and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 23.

NOTE 8. CURRENT ASSETS – INVENTORIES

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Ore stockpiles	**11,229**	4,545
Gold in circuit	**1,184**	1,581
Bullion on hand	**5,333**	1,736
Consumable stores	**1,407**	1,782
	19,153	9,644

(i) Assigning costs to inventories

The cost of individual items of inventory are determined using weighted average costs. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to ore stockpiles, gold in circuit and bullion on hand on the basis of weighted average costs. Inventories must be carried at the lower of cost and net realisable value. At balance date ore stockpiles, gold in circuit, bullion on hand and consumable stores were carried at cost.

No provision was recorded at 30 June 2018 to write down inventories to their recoverable value (2017: $nil). The movement in the provision was nil (2017: $2,024,000 credit).

Consumable stores include diesel, explosives and other consumables items.

(ii) Amounts recognised in profit or loss

Consumable inventories recognised as an expense during the year ended 30 June 2018 amounted to $16,819,000 (2017: $19,528,000). These were included in costs of production.

Product inventory movement during the year ended 30 June 2018 amounted to a credit of $9,884,000 (2017: Expense $4,684,000) and disclosed separately in Note 3.

30 JUNE 2018

NOTE 9. CURRENT ASSETS – BIOLOGICAL ASSETS

Biological assets comprise livestock which were acquired by Toongi Pastoral Company Pty Ltd as part of farming operations on the surrounding land to the Dubbo Project mining lease.

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Biological assets	**12**	218

NOTE 10. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Opening balance	**83,107**	72,553
Expenditure during the year	**10,210**	10,719
Amounts provided for or written off	**(181)**	(165)
	93,136	83,107

Exploration and evaluation costs are carried forward on an area of interest basis. Costs are recognised and carried forward where rights to tenure of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant exploration and evaluation activities in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts or circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets fair value less costs of disposal and their value in use.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine properties under development. No amortisation is charged during the exploration and evaluation phase.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

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.

For personal use only

For personal use only

NOTE 11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	LAND AND BUILDINGS $'000	PLANT AND EQUIPMENT $'000	CAPITAL WIP $'000	MINE PROPERTIES $'000	TOTAL $'000
Year ended 30 June 2018					
Opening cost	**39,713**	**72,863**	**396**	**149,712**	**262,684**
Additions	**-**	**-**	**3,207**	**10,717**	**13,924**
Transfers between classes	**30**	**854**	**(2,973)**	**2,089**	**-**
Disposals	**-**	**(127)**	**-**	**-**	**(127)**
Net movement	**30**	**727**	**234**	**12,806**	**13,797**
Closing cost	**39,743**	**73,590**	**630**	**162,518**	**276,481**
Opening accumulated depreciation and impairment	**(11,549)**	**(65,532)**	**-**	**(124,976)**	**(202,057)**
Depreciation charge	**(934)**	**(6,244)**	**-**	**(31,105)**	**(38,283)**
Disposals	**-**	**125**	**-**	**-**	**125**
Net movement	**(934)**	**(6,119)**	**-**	**(31,105)**	**(38,158)**
Closing accumulated depreciation and impairment	**(12,483)**	**(71,651)**	**-**	**(156,081)**	**(240,215)**
Closing net carrying value	**27,260**	**1,939**	**630**	**6,437**	**36,266**
Year ended 30 June 2017					
Opening cost	39,616	72,204	708	110,282	222,810
Additions	-	-	3,548	36,855	40,403
Transfers between classes	113	1,172	(3,860)	2,575	-
Disposals	(16)	(513)	-	-	(529)
Net movement	97	659	(312)	39,430	39,874
Closing cost	39,713	72,863	396	149,712	262,684
Opening accumulated depreciation and impairment	(7,661)	(45,676)	-	(66,532)	(119,869)
Depreciation charge	(1,570)	(9,969)	-	(31,005)	(42,544)
Disposals	-	332	-	-	332
Impairment charge (note 13)	(2,317)	(10,219)	-	(27,439)	(39,975)
Net movement	(3,887)	(19,856)	-	(58,444)	(82,187)
Closing accumulated depreciation and impairment	(11,548)	(65,532)	-	(124,976)	(202,056)
Closing net carrying value	28,164	7,331	396	24,736	60,627

30 JUNE 2018

For personal use only

NOTE 11. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

All property, plant and equipment are stated at historical cost less accumulated depreciation and impairment charges. Historical cost includes:

- expenditure that is directly attributable to the acquisition of the items;
- direct costs associated with the commissioning of plant and equipment including pre-commissioning costs in testing the processing plant;
- where the asset has been constructed by the Group, the cost of all materials used in construction, direct labour on the project and project management costs associated with the asset; and
- the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance is charged to profit or loss during the reporting period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives as follows:

Buildings	units of production
Plant and equipment	units of production
Mining properties	units of production
Office equipment	3-5 years
Furniture and fittings	4 years
Motor vehicles	4-5 years
Software	2-3 years

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

(i) Deferred stripping costs capitalised

Overburden and other mine waste materials removed during the initial development of an open pit mine in order to access the mineral deposit is referred to as development stripping. Costs directly attributable to development stripping inclusive of an allocation of relevant overhead expenditure, are capitalised as a non-current asset in mine properties. Capitalisation of development stripping costs cease at the time that ore begins to be extracted from the mine. Development stripping costs are amortised over the useful life of the orebody that access has been provided to on a units of production basis.

Production stripping commences at the time that ore begins to be extracted from the mine and normally continues throughout the life of a mine. The costs of production stripping are charged to the income statement as operating costs, when the current ratio of waste material to ore extracted for a component of the ore body is below the expected stripping ratio of that component. When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

- all costs are initially charged to profit or loss and classified as operating costs;
- when the current ratio of waste to ore is greater than the estimated ratio of a component of the orebody, a portion of the stripping costs, inclusive of an allocation of relevant overhead expenditure, is capitalised to mine properties; and
- the capitalised stripping asset is amortised over the useful life of the orebody to which access has been improved.

The amount of production stripping costs capitalised or charged in a reporting period is determined so that the stripping expense for the period reflects the estimated strip ratio of the ore component. Changes to the estimated waste to ore ratio of a component of the orebody are accounted for prospectively from the date of change. Deferred stripping capitalised is included in mine properties.

(ii) Mine properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred by the Group in relation to areas of interest for which the technical feasibility and commercial viability of the extraction of mineral resources are demonstrable.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when it is probable that the additional future economic benefits associated with the expenditure will flow to the Group. Otherwise such expenditure is classified as part of the cost of production. Mine properties are amortised on a units of production basis over the economically recoverable resources of the mine concerned.

Refer to note 13 for the Group's accounting policy in relation to impairment of non-current assets.

For personal use only

NOTE 12. NON-CURRENT ASSETS – BIOLOGICAL ASSETS

Biological assets comprise livestock which were acquired by Toongi Pastoral Company Pty Ltd as part of farming operations on the surrounding land to the Dubbo Project mining lease.

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Biological assets	**526**	507

NOTE 13. NON-CURRENT ASSETS – IMPAIRMENT OF NON-CURRENT ASSETS

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Impairment of gold cash generating unit	**-**	39,975

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

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment charge is recognised immediately in the statement of comprehensive income.

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

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

The operational performance for the year was strong and above budget. The impairment charge recorded in the previous financial year related to the revision of the geological resource model resulting in a reduction in the underground mineral inventory, reducing the value of the proposed underground operations. Management are confident based on the strong geological understanding of the deposit that there is significant value for underground operations and work is underway to support a final investment decision in the 2019 financial year. There are no triggers for an impairment reversal or further impairment charge at this time.

A further impairment was recorded in the previous year as a result of the removal of a scheduled cutback in the Caloma One pit which is still excluded from the mining inventory.

The key assumptions used in the FY2017 FVLCD calculations include:

- commercially recoverable mineral inventories;
- production volumes and efficiencies which can include potential future expansions and improvements in efficiency;
- the cash costs of production adjusted for the effects of taxation;
- the forecast AUD/USD foreign exchange rate;
- the forecast USD gold price;
- cash flows include the effects of taxation; and
- a post-tax discount rate reflecting the time value of money, the price for bearing the uncertainty inherent in the asset and other relevant factors.

VIU is the present value of the estimated future cash flows expected to be derived from the cash generating unit or group of cash generating units in its current condition. Cash flow projections are based on economic and regulatory assumptions and forecast trading conditions prepared by management.

For personal use only

NOTE 13. NON-CURRENT ASSETS – IMPAIRMENT OF NON-CURRENT ASSETS (continued)

The key assumptions used in the FY2017 VIU calculations include:

- commercially recoverable mineral inventories;
- production volumes and efficiencies based on the assets current operating capacity and efficiency;
- the cash costs of production;
- the balance date AUD/USD foreign exchange rate;
- cash flows are not adjusted for the effects of taxation;
- the balance date USD gold price; and
- a pre-tax discount rate was used, which equated to a post-tax rate of 8%, reflecting the time value of money, the price for bearing the uncertainty inherent in the asset and other relevant factors.

The VIU valuation methodology provided the higher recoverable amount and therefore the gold cash generating unit was valued on that basis. A total impairment expense of nil (2017: $39,975,000) has been recorded against the property, plant and equipment of the gold cash generating unit.

The deferred tax asset relating to the impairment expense in the prior year has not been recorded as at this time it is not probable that sufficient future taxable profits will be available to utilise all of the Group's available deferred tax assets. The Group will reassess at each reporting date whether the unrecognised deferred tax asset can subsequently be recognised. Refer to note 5 for details.

NOTE 14. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Security deposits	**8,347**	4,233

The above deposits are held by financial institutions or regulatory bodies as security for rehabilitation obligations as required under the respective exploration and mining leases or as required under agreement. The Group utilised a short-term performance bond facility during the year until expiration on 29 September 2017, at this time all bonding requirements were cash backed (2017: $2,000,000 backed by security deposits).

All interest-bearing deposits are held in Australian dollars and therefore there is no exposure to foreign currency risk. Please refer to note 23 for the Group's exposure to interest rate risk. The fair value of other financial assets is equal to its carrying value.

NOTE 15. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Trade payables	**3,953**	5,629
Other payables	**5,346**	5,537
	9,299	11,166

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. Current trade and other payables are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented in current liabilities unless payment is not due within 12 months from the reporting date.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

NOTE 16. CURRENT LIABILITIES – INCOME TAX

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Provision for income tax	**6,929**	-

For personal use only

NOTE 17. CURRENT LIABILITIES – PROVISIONS

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Employee benefits	**3,302**	1,993
Rehabilitation	**5,249**	5,571
Restructuring	**2,651**	558
Other	**-**	47
	11,202	8,169

(i) Provisions

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

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

(ii) Information about individual provisions and significant estimates

Employee benefits

The provision for employee benefits relates to the Group's liability for long service leave and annual leave. The current portion of this liability includes all of the accrued annual leave. The entire amount of the provision of $1,803,000 (2017: $1,782,000) is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Current leave obligations expected be settled after 12 months	**257**	766

The liability for long service leave not expected to vest within 12 months after the end of the period in which the employees render the related service is recognised in the non-current provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms and currencies that match as closely as possible, the estimated future cash outflows. Where the Group does not have an unconditional right to defer settlement for any annual or long service leave owed, it is classified as a current provision regardless of when the Group expects to realise the provision.

Restructuring provision

The provision for restructuring relates to the Group's liability for severance payments for the current open cut gold mining operations.

The current provision represents restructuring amounts that are expected to be settled within 12 months of the end of the period in which the employees render the related service in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for restructuring benefits not expected to vest within 12 months after the end of the period is recognised in the non-current provision. Consideration is given to the expected employee turnover and other factors in determining the value of the restructuring benefits. The non-current provision has not been discounted to present value as the impact of discounting is not material.

For personal use only

NOTE 17. CURRENT LIABILITIES – PROVISIONS (continued)

(ii) Information about individual provisions and significant estimates (continued)

Rehabilitation and mine closure

The Group has obligations to dismantle and remove certain items of property, plant and equipment and to restore and rehabilitate the land on which they sit.

A provision is raised for the estimated cost of settling the rehabilitation and restoration obligations existing at balance date, discounted to present value using an appropriate pre-tax discount rate.

Where the obligation is related to an item of property, plant and equipment, its cost includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located. Costs that relate to obligations arising from waste created by the production process are recognised as production costs in the period in which they arise.

The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of cash flows and the discount rate. The increase in the provision due to the passage of time of $460,000 (2017: $367,000) was recognised in finance charges in the statement of comprehensive income.

The provisions are reassessed at least annually. A change in any of the assumptions used to determine the provisions could have a material impact on the carrying value of the provision.

(iii) Movements in provision

Movements in rehabilitation and mine closure provision during the financial year are set out below:

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Rehabilitation and mine closure		
Opening balance	**21,035**	15,333
Additional provision incurred	**1,800**	4,539
Expenditure during the year	**(7,517)**	(1,454)
Unwinding of discount	**460**	367
Change in estimate	**2,757**	2,250
	18,535	21,035

Movements in restructuring provision during the financial year are set out below:

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Restructuring provision		
Opening balance	**2,965**	-
Additional provision incurred	**142**	2,965
Redundancies paid	**(413)**	-
	2,694	2,965

Movements in employee benefits provision during the financial year are set out below:

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Employee benefits provision		
Opening balance	**2,610**	2,125
Additional provision incurred	**2,438**	1,828
Employee benefits paid	**(1,428)**	(1,343)
	3,620	2,610

For personal use only

NOTE 18. NON-CURRENT LIABILITIES – PROVISIONS

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Employee benefits	**318**	617
Rehabilitation	**13,286**	15,464
Restructuring	**43**	2,407
	13,647	18,488

Refer note 17 for accounting policy on provisions.

NOTE 19. EQUITY – ISSUED CAPITAL

	30 JUNE 2018 SHARES	30 JUNE 2017 SHARES	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Ordinary shares - fully paid	**506,096,222**	505,215,669	**220,160**	219,948

Movements in ordinary share capital

DETAILS	DATE	SHARES	$'000
Balance	1 July 2016	476,159,490	213,791
Employee share scheme issue		8,348,983	2,570
Share placement		20,707,196	4,141
Less: Transaction costs arising on share issues		-	(670)
Deferred tax credit recognised directly into equity		-	116
Balance	30 June 2017	**505,215,669**	**219,948**
Shares issued on vesting of performance rights*		**570,553**	**199**
Share issue**		**310,000**	**102**
Less: Transaction costs arising on share issues		**-**	**(5)**
Deferred tax credit recognised directly into equity		**-**	**(84)**
Balance	30 June 2018	**506,096,222**	**220,160**

* During the year 570,553 shares were issued on vesting of employee performance rights in relation to long term incentives issued in the 2015 financial year on achievement of performance hurdles.

** During the year 310,000 shares were issued to certain key consultants in recognition of the participation and contribution to the Alkane Group meeting its objectives during financial years ending 30 June 2016 and 2017.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

NOTE 20. EQUITY – RESERVES

The share-based payments reserve is used to recognise:

- the grant date fair value of shares issued to employees
- the grant date fair value of deferred rights granted to employees but not yet vested

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Share-based payments reserve	**2,116**	1,330

30 JUNE 2018

NOTE 21. EQUITY – ACCUMULATED LOSSES

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Accumulated losses at the beginning of the financial year	**(56,351)**	(27,414)
Profit/(loss) after income tax (expense)/benefit for the year	**24,471**	(28,937)
Accumulated losses at the end of the financial year	**(31,880)**	(56,351)

NOTE 22. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

(a) CARRYING VALUE OF NON-CURRENT ASSETS

Non-current assets include capitalised exploration and evaluation expenditures and mine properties. The Group has capitalised significant exploration and evaluation expenditure on the basis either that such expenditure 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 and activities are planned to enable that determination.

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself, or, if not, whether it successfully recovers the related exploration asset through sale. The future recoverability of mine properties is dependent on the generation of sufficient future cash flows from operations (or alternately sale). Factors that could impact the future recoverability of exploration and evaluation and mine properties 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 and exchange rates.

Estimates of recoverable quantities of resources and reserves also include assumptions requiring significant judgment as detailed in the resource and reserve statements.

The Group undertakes an impairment review to determine whether any indicators of impairment are present and has not recorded an impairment charge or reversal against the gold cash generating unit in the financial year. Refer to note 13 for details.

(b) DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Non-current assets include property, plant and equipment. The Group reviews the useful lives of depreciable asset at each reporting date or when there is a change in the pattern in which the asset's future economic benefits are expected to be consumed, based on the expected utilisation of the assets. Depreciation and amortisation are calculated using the units of production method based on ounces of gold produced.

(c) REHABILITATION AND MINE CLOSURE PROVISIONS

These provisions represent the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of property, plant and equipment and to rehabilitate exploration and mining leases. The discounted value reflects a combination of management's assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of cash flows and the discount rate. Changes to one or more of these assumptions is likely to result in a change to the carrying value of the provision and the related asset or a change to profit and loss in accordance with the Group's accounting policy stated in note 17.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. Utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. Refer to note 5 for the current recognition of tax losses.

The deferred tax asset relating to impairment expense has not been recorded at this time as it is not probable that sufficient future taxable profits will be available to utilise the Group's available deferred tax assets. Refer to note 5 for details.

For personal use only

For personal use only

NOTE 22. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(d) SHARE-BASED PAYMENTS

The Group measures the cost of equity settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value for share appreciation rights is determined with the assistance of an external valuer. The number of performance rights issued under the long term incentive plan are adjusted to reflect management's assessment of the probability of meeting the targets and service condition. The related assumptions are set out in note 32. The accounting estimates and assumptions relating to equity settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(e) PROVISION FOR RESTRUCTURING COSTS

Restructuring costs are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises restructuring costs when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Significant judgement is required in determining the probability of retention of employees. Refer note 17.

(f) INCOME TAX

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Group has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. Utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. Refer to note 5 for the current recognition of tax losses.

The deferred tax asset relating to impairment expense has not been recorded at this time as it is not probable that sufficient future taxable profits will be available to utilise the Group's available deferred tax assets. Refer to note 5 for details.

(g) EXPLORATION AND EVALUATION COSTS

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices.

Where economic recoverable reserves for an area of interest have been identified, and a decision to develop has occurred, capitalised expenditure is classified as mine development.

To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which the determination is made.

NOTE 23. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The Group uses derivative financial instruments such as gold forward contracts to mitigate certain risk exposures.

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

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

For personal use only

NOTE 23. FINANCIAL RISK MANAGEMENT (continued)

(a) MARKET RISK

(i) Foreign currency risk

The Group's sales revenue for gold are largely denominated in US dollars and the majority of operating costs are denominated in Australian dollars, hence the Group's cash flow is significantly exposed to movement in the A$:US$ exchange rate. The Group mitigates this risk through the use of derivative instruments, including but not limited to Australian dollar denominated gold forward contracts.

These Australian dollar denominated gold forward contracts are entered into and continue to be held for the purpose of physical delivery of gold bullion. As a result, the contracts are not recorded in the financial statements. Refer to notes 27 and 29 for further information.

(ii) Commodity price risk

The Group's sales revenues are generated from the sale of gold. Accordingly, the Group's revenues are exposed to commodity price fluctuations, primarily gold. The Group mitigates this risk through the use of derivative instruments, including but not limited to Australian dollar denominated gold forward contracts.

(iii) Interest rate risk

The Group's main interest rate risk arises through its cash and cash equivalents and other financial assets held within financial institutions. The Group minimises this risk by utilising fixed rate instruments where appropriate.

Summarised market risk sensitivity analysis

		INTEREST RATE RISK IMPACT ON PROFIT/(LOSS) AFTER TAX				
	30 JUNE 2018			30 JUNE 2017		
	CARRYING AMOUNT $000	+100BP $000	-100BP $000	CARRYING AMOUNT $000	+100BP $000	-100BP $000
Financial assets						
Cash and cash equivalents	**72,003**	**504**	**(504)**	41,969	294	(294)
Receivables*	**13**			358		
Other financial assets	**8,347**	**58**	**(58)**	4,233	30	(30)
Financial liabilities						
Trade and other payables	**9,299**			(8,745)		
Total increase / (decrease)		**562**	**(562)**		324	(324)

* The receivables balance excludes prepayments and tax balances which do not meet the definition of financial assets and liabilities.

There is no exposure to foreign exchange risk or commodity price risk for the above financial assets and liabilities.

(b) CREDIT RISK

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposure to customers, including outstanding receivables and committed transactions.

(i) Risk management

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

(ii) Credit quality

Tax receivables and prepayments do not meet the definition of financial assets. None of the Group's receivables were past due or impaired at balance date.

(c) LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial liabilities as they fall due. The Group's approach to managing liquidity risk 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 Board of Directors' monitors liquidity levels on an ongoing basis.

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

For personal use only

NOTE 24. CAPITAL RISK MANAGEMENT

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

NOTE 25. KEY MANAGEMENT PERSONNEL DISCLOSURES

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Short-term employee benefits	**1,947,075**	1,784,397
Post-employment benefits	**117,798**	141,340
Long-term benefits	**211,539**	42,600
Termination benefits	**125,000**	-
Share-based payments	**739,091**	347,520
	3,140,503	2,315,857

Ms K E Brown is associated with Mineral Administration Services Pty Ltd, a Company which provided corporate administration and company secretarial services to the Group until 29 March 2018. This fee is disclosed as short term employee benefits in the remuneration report.

Mr D Wilkins is associated with DWCorporate Pty Ltd, a Company which provided company secretarial services to the Group from 29 March 2018. This fee is disclosed as short term employee benefits in the remuneration report.

100,000 ordinary shares were issued to Mineral Administration Services Pty Ltd which Ms K E Brown, the Company Secretary and key management person until 29 March 2018 had a substantial financial interest, as well as 210,000 shares to Technical Marketing Ceramic Services Pty Ltd which A MacDonald, the General Manager of Marketing and key management person has a substantial financial interest.

NOTE 26. REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by Pricewaterhouse Coopers, the auditor of the company:

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Audit services - PricewaterhouseCoopers		
Audit or review of the financial statements	**195**	182
Other services - PricewaterhouseCoopers		
Other advisory services	**222**	167
	417	349

As part of final audit and review of the financial statements for the year ended 30 June 2017, a one-off additional fee of $33,920 was approved by the Audit Committee and paid in the current financial year.

NOTE 27. CONTINGENT ASSETS

The Group has entered into forward gold sales contracts which are not accounted for on the balance sheet. A contingent asset of $233,000 (2017: $1,601,000) existed at the balance date in the event that the contracts are not settled by the physical delivery of gold.

NOTE 28. CONTINGENT LIABILITIES

The Group has contingent liabilities estimated up to the value of $5,650,000 for the potential acquisition of several parcels of land surrounding the Dubbo Project (30 June 2017: $5,100,000). The landholders have the right to require subsidiary Australian Strategic Materials Ltd to acquire their property as provided for in the development consent conditions for the Dubbo Project or under agreement with Australian Strategic Materials Ltd.

30 JUNE 2018

NOTE 29. COMMITMENTS

(a) EXPLORATION AND MINING LEASE COMMITMENTS

In order to maintain current rights of tenure to exploration and mining tenements, the Group will be required to outlay the amounts disclosed in the below table. These amounts are discretionary, however if the expenditure commitments are not met then the associated exploration and mining leases may be relinquished.

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Within one year	**1,677**	1,175

(b) NON-CANCELLABLE OPERATING LEASES

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

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Within one year	**413**	381
One to five years	**-**	321
	413	702

(c) 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. In the previous year, as part of the financing arrangement with Macquarie Bank Ltd, the Group entered into two gold options contracts totalling 12,000 ounces which have lapsed.

The gold forward sales contracts and option 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. The balances in the table below relate to the value of the contracts to be delivered into by transfer of physical gold.

	GOLD FOR PHYSICAL DELIVERY OUNCES	CONTRACTED GOLD SALE PRICE PER OUNCE ($)	VALUE OF COMMITTED SALES $'000
30 June 2018			
Fixed forward contracts			
Within one year	**4,000**	**1,750**	**6,999**
30 June 2017			
Fixed forward contracts			
Within one year	17,500	1,716	30,030
Gold call options			
Within one year	12,000	1,771	21,252

(d) CAPITAL COMMITMENTS

Capital commitments committed for the year at the end of the reporting period but not recognised as liabilities amounted to $281,000 (2017: $858,000).

For personal use only

For personal use only

NOTE 30. EVENTS AFTER THE REPORTING PERIOD

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTE 31. RELATED PARTY TRANSACTIONS

(a) PARENT ENTITY

Alkane Resources Ltd is the parent entity of the Group.

(b) SUBSIDIARIES

Interests in subsidiaries are set out in note 36.

(c) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the Directors' Report.

(d) TRANSACTIONS WITH OTHER RELATED PARTIES

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 totalling $28,200 for the current period (2017: $94,000). These terms are documented in a service level agreement and represent normal commercial terms.

During the period fees amounting to $152,500 (2017: $210,000) were paid to Mineral Administration Services (MAS) in which the former Company Secretary of the Group, Ms K E Brown has a substantial financial interest. MAS provides administration and secretarial services to the Group.

During the period fees amounting to $43,000 (2017: nil) were paid to DWCorporate Pty Ltd in which the current Company Secretary of the Group, Mr D Wilkins has a substantial financial interest. DWCorporate Pty Ltd provides secretarial services to the Group.

100,000 ordinary shares were issued to MAS during the period as well as 210,000 shares to Technical Marketing Ceramic Services Pty Ltd which A MacDonald, the General Manager of Marketing and key management person has a substantial financial interest.

(e) RELATED PARTY PAYABLES

There are no invoices outstanding at the end of the reporting period in relation to transactions with related parties (2017: nil).

NOTE 32. SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the Group's incentive plans. The incentive plans consist of short term and long term incentive plans for Executive Directors and other Executives and the employee share scheme for all other employees. Information relating to these plans is set out in the remuneration report and below.

The fair value of rights granted under the short term and long term incentive plans is 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 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 and the impact of service conditions are included in assumptions about the number of rights 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 rights that are expected to vest based on the non-market vesting and service 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.

The initial estimate of fair value for market-based and non-vesting conditions is not subsequently adjusted for differences between the number of rights granted and number of rights that vest.

When the rights are exercised, the appropriate amount of shares are transferred to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

Under the employee share scheme, shares issued by the Group to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

For personal use only

NOTE 32. SHARE-BASED PAYMENTS (continued)

The fair value of deferred shares granted to employees for nil consideration under the employee share scheme is recognised as an expense over the relevant service period, being the year to which the incentive relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period and adjustments are recognised in profit or loss and the share-based payment reserve.

Executive Directors and other Executives

The Company's remuneration framework is set out in the remuneration report, including all details of the performance rights and share appreciation rights plans, the associated performance hurdles and vesting criteria.

Participation in the plans is at the discretion of the Board of Directors and no individual has a contractual right to participate in the plans or to receive any guaranteed benefits. Participation is currently restricted to senior Executives within the Group.

The determination of the number of rights that are to vest or be forfeited is made by the Remuneration Committee after the statutory audit has been substantially completed. As such, the actual determination was made after the balance date however details have been included in the tables below as the relevant performance period is the current financial year.

The following tables illustrate the number and weighted average fair value of, and movements in, share rights during the year.

	2018		2017	
	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $
Performance Rights				
Outstanding at the beginning of the year	**2,886,795**	**$0.23**	7,204,278	$0.23
Issued during the year	**11,395,156**	**$0.26**	-	$0.00
Vested during the year	**-**	**$0.00**	(570,553)	$0.23
Lapsed during the year	**(4,025,068)**	**$0.24**	(3,766,930)	$0.23
Outstanding at the end of the year	**10,256,883**	**$0.26**	2,866,795	$0.23

The number of Performance Rights to be granted is determined by the Remuneration Committee with reference to the fair value of each Performance Right which is generally the volume weighted average price for the month preceding the start of the performance period. This will differ from the fair value reported in the table above which is determined at the time of grant.

	2018		2017	
	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $	NUMBER OF SHARE RIGHTS	WEIGHTED AVERAGE FAIR VALUE $
Share Appreciation Rights				
Outstanding at the beginning of the year	**11,467,187**	**$0.08**	23,737,499	$0.08
Lapsed during the year	**(11,467,187)**	**$0.08**	(12,270,312)	$0.08
Outstanding at the end of the year	**-**	**$0.00**	11,467,187	$0.08

The number of Share Appreciation Rights to be granted is determined by the Remuneration Committee with reference to the fair value of each Share Appreciation Right at the time performance targets are set. This will differ from the fair value reported in the table above which is determined at the time of grant.

The Performance Rights, which have non-market-based hurdle conditions, have been valued using the Black-Scholes-Merton model to estimate the fair value at valuation date.

The Performance Rights which have market based hurdle conditions, have been valued using a Monte Carlo simulation based model to test the likelihood of attaining the Total Shareholder Return hurdle. The Monte Carlo model incorporates the impact of this market based condition on the fair value of the rights.

For personal use only

NOTE 32. SHARE-BASED PAYMENTS (continued)

The following table lists the inputs to the models used.

GRANT DATE	PERFORMANCE HURDLE	DIVIDEND YIELD %	EXPECTED STOCK VOLATILITY %	RISK FREE RATE %	EXPECTED LIFE YEARS	WEIGHTED AVERAGE SHARE PRICE AT GRANT DATE $
11/10/2017	Service condition and market condition	-	70%	2.08%	2.90	0.25
04/12/2017	Service condition and market condition	-	70%	1.84%	2.75	0.24

Expenses arising from share-based payment transactions.

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Performance rights	**984,410**	(119,322)
Employee share scheme	**-**	(180,913)
Share appreciation rights	**-**	442,235
Other share issues to KMP	**102,300**	-
	1,086,710	142,000

NOTE 33. EARNINGS PER SHARE

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Profit/(loss) after income tax attributable to the owners of Alkane Resources Ltd	**24,471**	(28,937)
	CENTS	**CENTS**
Basic earnings per share	**4.8**	(5.8)
Diluted earnings per share	**4.8**	(5.8)
	NUMBER	**NUMBER**
Weighted average number of ordinary shares used in calculating basic earnings per share	**505,916,516**	502,874,620
Adjustments for calculation of diluted earnings per share:		
Performance rights	**6,949,594**	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	**512,866,110**	502,874,620

30 JUNE 2018

NOTE 34. ASSETS PLEDGED AS SECURITY

As at the date of this report, $8,347,000 (2017: $4,233,000) in deposits have been provided as security. Refer note 14 for details.

On 29 September 2017, the working capital facility with Macquarie Bank Ltd was settled and the following securities were discharged:

- a combination security agreement providing security over all of the assets at Tomingley Holdings Pty Ltd and Tomingley Gold Operations Pty Ltd;
- a first ranking registered mining mortgage over the Tomingley Mining Lease in accordance with the *Mining Act 1992 (NSW)*;
- land mortgages and a water rights mortgage over the holdings of Tomingley Gold Operations Pty Ltd; and
- a guarantee provided by Alkane Resources Ltd and Tomingley Holdings Pty Ltd.

The table below represents the carrying value of assets pledged as security:

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Current		
Cash and cash equivalents	-	7,080
Receivables	-	1,987
Inventories	-	9,630
Total current assets pledged as security	-	18,697
Non-current		
Plant and equipment	-	33,608
Total assets pledged as security	-	52,305

NOTE 35. PARENT ENTITY INFORMATION

Set out below is the supplementary information about the parent entity.

	PARENT	
	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Statement of comprehensive income		
Profit/(loss)after income tax	**8,346**	(32,685)
Total comprehensive income/(loss)	**8,346**	(32,685)
Balance sheet		
Total current assets	**13,844**	3,517
Total assets	**184,326**	165,856
Total current liabilities	**8,554**	1,514
Total liabilities	**10,985**	1,859
Equity		
Issued capital	**220,160**	219,948
Share-based payments reserve	**2,116**	1,330
Accumulated losses	**(48,935)**	(57,281)
Total equity	**173,341**	163,997

The parent entity provided a guarantee in respect of the working capital facilities entered into by subsidiary Tomingley Gold Operations Pty Ltd which was discharged on 29 September 2017. Refer to note 34 for details.

For personal use only

For personal use only

NOTE 35. PARENT ENTITY INFORMATION (continued)

DETERMINING THE PARENT ENTITY FINANCIAL INFORMATION

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

(i) Tax consolidation legislation

Alkane Resources Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Refer to note 38 for further details.

(ii) Share-based payments rights

The grant by the company of rights to equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(iii) Investment in subsidiaries

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

CAPITAL COMMITMENTS – PROPERTY, PLANT AND EQUIPMENT

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018.

NOTE 36. INTERESTS IN SUBSIDIARIES

The Group's subsidiaries at 30 June 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The state of incorporation or registration is also their principal place of business.

		OWNERSHIP INTEREST	
NAME	PRINCIPAL PLACE OF BUSINESS / STATE OF INCORPORATION	30 JUNE 2018 %	30 JUNE 2017 %
Australian Zirconia Holdings Pty Ltd	Western Australia	100.00%	100.00%
Australian Strategic Materials Ltd	Western Australia	100.00%	100.00%
Tomingley Holdings Pty Ltd	New South Wales	100.00%	100.00%
Tomingley Gold Operations Pty Ltd	New South Wales	100.00%	100.00%
Toongi Pastoral Company Pty Ltd	New South Wales	100.00%	100.00%

NOTE 37. RECONCILIATION OF PROFIT/(LOSS) AFTER INCOME TAX TO NET CASH FROM OPERATING ACTIVITIES

	30 JUNE 2018 $'000	30 JUNE 2017 $'000
Profit/(loss) after income tax (expense)/benefit for the year	**24,471**	(28,937)
Adjustments for:		
Depreciation and amortisation	**38,283**	42,544
Impairment of non-current assets	**-**	39,975
Net loss on disposal of property, plant and equipment	**2**	146
Share-based payments	**1,087**	(32)
Non-cash finance charges	**460**	367
Exploration costs provided for or written off	**188**	165
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**194**	(577)
(Increase)/decrease in inventories	**(9,322)**	2,004
Increase in provision for income tax	**6,845**	-
(Decrease)/increase in trade and other payables	**(8,725)**	226
(Decrease) in deferred tax liabilities	**-**	(4,631)
Increase in other provisions	**847**	3,498
Decrease in fair value of biological assets	**203**	-
Net cash from operating activities	**54,533**	54,748

30 JUNE 2018

For personal use only

NOTE 38. SIGNIFICANT ACCOUNTING POLICIES

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

(a) NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any impact on the amounts recognised in prior periods and will also not affect the current or future periods.

(b) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

(i) AASB 9 Financial Instruments

AASB 9 Financial Instruments address the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is not expecting any material impact from the adoption of the new standard on 1 July 2018.

The Group has entered into gold forward contracts to manage the gold price of a proportion of anticipated sales of gold, which do 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 Group does not expect the new guidance to affect the classification and measurement of these gold forward contracts.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under AASB 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the group does not expect any material change to loss allowance for trade debtors.

The Group will apply the new rules retrospectively from 1 July 2018. Comparatives for 2017 will not be restated.

(ii) AASB 15 Revenue from Contracts with Customers

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 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 a notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of application (e.g. 1 July 2018) i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

The Group has reviewed the effects of applying the new standard on the Group's financial statements and have concluded there will be no material impact on the recognition of gold sales.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated.

(iii) AASB 16 Leases

The AASB requires a lessee to recognise assets and liabilities for all terms with a term of more than twelve months, unless the underlying asset is of low value.

At this stage Group does not expect any material impact given the term and values of current leases as there are no material long term operating leases.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in its current or future reporting periods and on foreseeable future transactions.

For personal use only

NOTE 38. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

(i) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities which are measured at fair value.

(ii) Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 22.

(d) PARENT ENTITY INFORMATION

In accordance with the *Corporations Act 2001*, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 35.

(e) TAX CONSOLIDATED LEGISLATION

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

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

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

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

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

(f) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Alkane Resources Ltd ('Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Alkane Resources Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity' or the 'Group'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(g) FOREIGN CURRENCY TRANSLATION

The financial statements are presented in Australian dollars, which is Alkane Resources Ltd's functional and presentation currency.

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

30 JUNE 2018

NOTE 38. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

(i) GOODS AND SERVICES TAX ('GST') AND OTHER SIMILAR TAXES

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

(j) EARNINGS PER SHARE

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; by
- the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the profit attributable to owners of the Company, excluding any costs of servicing equity, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(k) ROUNDING OF AMOUNTS

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

For personal use only

For personal use only

In the Directors' opinion:

(a) the financial statements and notes set out on pages 43 to 74 are in accordance with the *Corporations Act 2001* including:
   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

(b) the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 38 to the financial statements;

(c) there are reasonable grounds to believe that Alkane Resources Limited will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of Directors.

On behalf of the Directors



N Earner
Managing Director

30 August 2018
Perth

For personal use only

pwc

Independent auditor's report

To the members of Alkane Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Alkane Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

For personal use only

pwc

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $2,251,000, which represents approximately 1% of the Group's total assets as at 30 June 2018. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group total assets because, in our view, it is the metric against which the performance of the Group is most commonly measured. • We utilised a 1% threshold based on our professional judgement, noting that it is within the range of commonly acceptable thresholds.	• The Group produces gold from its Tomingley Gold operations, located in New South Wales. The Group is also undertaking exploration and evaluation activities at its Dubbo Project in New South Wales, and other smaller exploration projects. The accounting processes are structured around a group finance function at its head office in Perth. • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • During the audit the engagement team undertook the majority of its audit work at the Group's head office in Perth as well as visiting the Tomingley Gold operations.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Estimate of rehabilitation and mine closure provision – Classification and carrying value of capitalised exploration assets • These are further described in the *Key audit matters* section of our report.

For personal use only

pwc

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Estimate of rehabilitation and mine closure provision *(Refer to Rehabilitation and mine closure provision in notes 17 and 18 and Critical accounting estimates and judgements in note 22 to the financial statements) [Current $5.2m; Non Current $13.3m]* As a result of its mining and processing activities at Tomingley Gold, the Group incurs obligations to restore and rehabilitate the environment disturbed by its operations. Rehabilitation activities are governed by a combination of legislative requirements and the Group's policies. We focussed on this matter as determining the provision for rehabilitation and mine closure requires the use of significant estimates and judgements by the Group in assessing the magnitude, nature and extent of rehabilitation work to be performed, and in determining: • the expected future cost of performing the work, • the timing of when the rehabilitation activities are expected to take place, and • economic assumptions such as the discount rate used to discount this estimate to net present value.	We performed the following procedures, amongst others: • Evaluated the Group's rehabilitation and restoration cost forecasts including the process by which they were developed and tested the mathematical accuracy of the calculation of the discounted cash flows prepared by the Group. • Compared the estimated costs for rehabilitation activities to guidance issued by New South Wales state government. • Reviewed relevant correspondence on rehabilitation costs between the Group and the New South Wales state government for consistency with the Group's estimate. • Evaluated the competence of experts used by the Group in calculating the nature and extent of rehabilitation work required. • Compared prior year planned rehabilitation activities to actual rehabilitation work performed during the year and investigated significant differences. • Benchmarked key market related assumptions including inflation rates and discount rates against external market data. Evaluated the basis for cost estimation made by management, in light of the budgets and forecasts approved by the Board, and tested on a sample basis the provision amount to comparable data sourced from external parties and management's experts.

For personal use only



Key audit matter	*How our audit addressed the key audit matter*
Classification and carrying value of capitalised exploration assets *(Refer to Exploration and Evaluation asset in note 10 and Critical accounting estimates and judgements in note 22 to the financial statements) [$93.1m]* As at 30 June 2018, the Group holds capitalised exploration and evaluation assets of $93.1 million. The majority of the Group's capitalised exploration and evaluation assets relate to its Dubbo project and its Tomingley gold and other exploration tenements. In light of the efforts in connection with the product development and marketing for the Dubbo project, as the project proceeds towards development there is judgement required by the Group that the Dubbo project remains classified as an exploration and evaluation asset and has not progressed sufficiently to be categorised as a development asset. As there is typically a high degree of uncertainty associated with mining exploration activities and given the magnitude of the capitalised exploration and evaluation assets, the Group performed an assessment as to whether impairment indicators exist at 30 June 2018 in respect of exploration and evaluation assets as required by Australian Accounting Standards. This was a key audit matter as the continued recognition as an asset requires significant judgement by the Group to assess whether impairment indicators exist, and if so, whether the capitalised exploration and evaluation assets are recoverable from estimated future cash flows.	We performed the following procedures, amongst others: • Enquired of management and directors to develop an understanding of the current status and future exploration intentions for the Group's projects in order to evaluate the Group's continued treatment of the Dubbo Project as an exploration and evaluation asset. • Assessed management's analysis of indicators of impairment for capitalised exploration and evaluation assets. • Enquired of management as to whether there were any licences that had been relinquished. • Tested on a sample basis whether the Group retained right of tenure for its exploration licence areas by obtaining licence status records maintained by the relevant government authority. • Evaluated management's assessment of the likely viability of material licence areas by review of the Group's internal and external reports prepared in relation to exploration licence areas, including the results of exploration drilling and other activities. • Considered other available information, such as press releases made by the Company with the results of exploration campaigns. • Tested a sample of current year expenditure to source documents on exploration licence areas. • Reviewed plans for future expenditure as included in approved budgets and compared it to the minimum licence expenditure requirements.



For personal use only

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained was the Directors' report and Corporate Directory. We expect the remaining other information to be made available to us after the date of this auditor's report, including Business review, Shareholder information, Corporate governance statement and Tenement schedule.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

For personal use only

pwc

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 30 to 38 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Alkane Resources Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
30 August 2018

For personal use only

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 September 2018.

(a) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	ORDINARY SHARES	
	NUMBER OF HOLDERS	NUMBER OF SHARES
1 - 1,000	727	294,692
1,001 - 5,000	1,868	5,631,451
5,001 - 10,000	1,092	8,540,990
10,001 - 100,000	2,305	80,724,400
100,001 and over	479	410,904,689
	6,471	506,096,222
The number of equity security holders holding less than a marketable parcel of securities are:	1,296	1,217,412

(b) TWENTY LARGEST SHAREHOLDERS

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted ordinary shares are:

		LISTED ORDINARY SHARES	
		NUMBER OF SHARES	PERCENTAGE OF ORDINARY SHARES
1	Abbotsleigh Pty Ltd	96,189,451	19.01
2	Citicorp Nominees Pty Limited	40,747,068	8.05
3	HSBC Custody Nominees Pty Limited	37,418,390	7.39
4	JP Morgan Nominees Australia Limited	18,863,072	3.73
5	Chapelgreen Pty Ltd <Chapelgreen Trust A/C>	13,786,059	2.72
6	BNP Paribas Nominees Pty Ltd	6,999,059	1.38
7	Aventeos Investments Limited <Choice Inv (Dubbo) P/L A/C>	6,617,695	1.31
8	Abbotsleigh Pty Ltd < Abbotsleigh S/F>	6,480,000	1.28
9	Mr Patrick John McHale	4,100,000	0.81
10	Leefab Pty Ltd	3,752,456	0.74
11	Milford Park Superannuation Pty Ltd <Milford Grove Superfund A/C>	3,200,000	0.63
12	Mandel Pty Ltd <Mandel Super Fund A/C>	3,000,000	0.59
13	National Nominees Limited	2,955,409	0.58
14	Zenith Business Pty Ltd <Zenith Business A/C>	2,837,097	0.56
15	S Mass Holdings Pty Limited <Shaun Mass Family A/C>	2,494,542	0.49
16	Mr David Hanbury Edmonds <David Edmonds S/F A/C>	2,489,521	0.49
17	Ms Jillanne Homewood	2,255,252	0.45
18	DRD Super Pty Ltd <The Diamond Super Fund A/C>	2,250,000	0.44
19	Pebadore Pty Ltd <Weller Family S/Fund A/C>	2,000,000	0.40
20	Mrs Kathryn Jane Swan	2,000,000	0.40
		260,435,071	51.46

For personal use only

(c) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	NUMBER OF SHARES
Abbotsleigh Pty Ltd	111,261,217

(d) VOTING RIGHTS

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) UNQUOTED SECURITIES

At 10 October 2018, the Company had the following unlisted securities on issue:

			HOLDERS OF 20% OR MORE OF THE CLASS	
CLASS	NUMBER OF SECURITIES	NUMBER OF HOLDERS	HOLDER NAME	NUMBER OF SECURITIES
Employee Performance Rights LTI FY2018	10,236,883	5	Nicholas Earner	7,243,519
Employee Performance Rights LTI FY2019	4,242,564	4	James Carter	2,236,217
			Alister MacDonald	1,185,872

For personal use only

CORPORATE GOVERNANCE STATEMENT

The Company's annual Corporate Governance Statement has been published and released to ASX separately. It is available on the Company's website at alkane.com.au/company/governance/

For personal use only

AT 26 SEPTEMBER 2018

PROJECT/LOCALITY	TENEMENT	INTEREST	NATURE OF INTEREST
Peak Hill, NSW	GL 5884 (Act 1904)	100%	Equity
	ML 6036	100%	Equity
	ML 6042	100%	Equity
	ML 6277	100%	Equity
	ML 6310	100%	Equity
	ML 6389	100%	Equity
	ML 6406	100%	Equity
	ML 1351	100%	Equity
	ML 1364	100%	Equity
	ML 1479	100%	Equity
	EL 6319	100%	Equity
Dubbo, NSW	EL 5548	100%	Equity (Australian Strategic Materials Ltd)
	EL 7631	100%	Equity (Australian Strategic Materials Ltd)
	ML 1724	100%	Equity (Australian Strategic Materials Ltd)
Wellington, NSW	EL 6320	100%	Equity
Trangie, NSW	EL 8765	100%	Equity
Armstrongs, NSW	EL 8784	100%	Equity
Tomingley, NSW	EL 5675	100%	Equity
	EL 5830	100%	Equity
	EL 5942	100%	Equity
	EL 6085	100%	Equity
	EL 8676	100%	Equity
	EL 8794	100%	Equity
	ML 1684	100%	Equity (Tomingley Gold Operations Pty Ltd)
Cudal, NSW	EL 7020	100%	Equity
Rockley, NSW	EL 8170	100%	Equity
	EL 8194	100%	Equity
	EL 8527	100%	Equity
Northern Molong Porphyry Project			
Bodangora, NSW	EL 4022	100%	Equity
Kaiser, NSW	EL 6209	100%	Equity (subject to royalty of 2% net smelter return)
Finns Crossing, NSW	EL 8261	100%	Equity
Elsienora, NSW	EL 8550	100%	Equity
Orange East, NSW	EL 8442	0%	Right to earn 60% to 80%
Nullagine, WA	E 46/522-I & 523-I	0%	60% retained interest in diamond potential
	E 46/928	0%	60% retained interest in diamond potential
	M 46/515, 522 & 523	0%	60% retained interest in diamond potential
Miranda Well, WA	M 36/303	19.4%	Equity – diluting
McDonough Lookout, WA	M 36/329 & 330	19.4%	Equity – diluting

For personal use only