



ALKANE
RESOURCES LTD

ABN 35 000 689 216

A N N U A L R E P O R T 2 0 1 0



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SECURITIES EXCHANGE LISTINGS

Australian Securities Exchange (Perth)
Ordinary fully paid shares
Code: ALK
OTCQX International
American Depositary Receipts (ADR)
Code: ANLKY

Level 1 ADR Sponsor

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Alkane Resources achieved several significant milestones across our three major projects during 2010, with each taking us closer to our goal of becoming a multi-commodity miner of zirconium, niobium, rare earths, gold and copper.

Highlights from these achievements included:

- a first resource estimate for McPhillamys Gold
- completion of Tomingley Gold's Definitive Feasibility Study (DFS)
- higher revenue numbers and new rare earths production for the Dubbo Zirconia Project
- a \$21 million capital raising
- listing of Alkane's American Depositary Receipts on the over the counter market in the US, enabling a broader and global investor base.

We now have the building blocks in place to achieve revenue in 2012, moving from explorer to producer again after a gap of nine years since the Peak Hill Gold Mine closed.

DUBBO ZIRCONIA PROJECT

Interest in Alkane's Dubbo Zirconia Project increased significantly over 2010 following a surge in prices and demand for rare earths and equally dramatic developments in the zirconium sector.

China, the world's largest producer of rare earths, decided to restrict the availability of rare earths products for export, reducing its second half export quota by 72 per cent. This had an immediate effect on rare earths prices, pushing them up significantly.

Alkane benefitted from this as people came to understand the strategic significance of the Dubbo Zirconia Project as a supplier of yttrium and rare earths. Potential sales revenues from yttrium and rare earths products now represent more than 40 per cent of projected revenues for the Dubbo Zirconia Project.

We also benefit from the distribution of heavy rare earths, such as yttrium, in the project's ore body which are in greater quantities compared to the standard distribution, with the DZP having 25 per cent versus 5 per cent. This is significant as heavy rare earths command higher than average returns compared to light rare earths. It also reflects the value of work invested over the past three years in refining a flow sheet with help of our consultants at TZ Minerals and the scientists and engineers at ANSTO.

Alkane will be the only significant heavy rare earths producer outside China for the next few years once the Dubbo Zirconia Project comes on stream, a factor that is becoming more broadly understood by the market.

Zircon prices also rose significantly due to a major supply deficit which continued to deteriorate throughout the year and we are now seeing record high prices for zircon.

As with rare earths, China is the dominant producer in the downstream zirconium business with its current output equal to 90 per cent of world production. Recently, China moved to classify zirconium as a strategic metal to protect its downstream industries.

This opens up the potential for additional markets for our zirconium products and gives strong support for higher revenue numbers in the expanded development case.

Both these market developments were reflected in our share price which moved more than 200 per cent over the 12 month period to end at \$1.00 at the end of December. Since then, the share price has strengthened further reaching a high in excess of \$2.00 early in April 2011.

Progress on new rare earths production from our demonstration pilot plant in a Sydney continued with a yttrium-heavy rare earth product and a light rare earth sample developed during the year. Currently, potential customers are reviewing and assessing the yttrium-heavy rare earth product.

Discussions with potential customers for off-take agreements continue as well as negotiations on potential investment in the project to meet capital development costs.

At this stage, the DFS is due for completion in mid 2011, inferring production later in 2013.

The extent of the market interest confirms the Dubbo Zirconia Project as an important and strategic source for a number of metals which are in strong demand, with the project's value underlined by having a 200 year mine life to meet this demand.



TOMINGLEY GOLD

After an extended period assessing further resource potential at Tomingley, which pushed out timing, we finalised the Definitive Feasibility Study (DFS) in December.

We have now moved on to assessing and reviewing a number of financing options.

The base case for Tomingley is recovery of 369,261 ounces of gold over a 7.5 year mine life, representing \$510 million in revenue at an average gold price of A\$1400.

While the project has relatively narrow margins at current gold prices, we believe it has the ability to extend beyond the base case to 10 years, and possibly 12 years, and generate substantial cash flows as we work towards our overall objective of developing multiple mining operations within a tight geographic area over the next five years.

MCPHILLAMYS GOLD

The first resource estimate of 2.96 million ounces gold for McPhillamys Gold, part of the Orange District Exploration Joint Venture (ODEJV) with Newmont Australia, highlights the significance of this gold discovery.

The very positive result includes a high proportion, 65-70 per cent, in the Indicated category which points to higher potential recoveries and value.

The resource estimate confirms McPhillamys as the largest greenfields gold discovery in Australia since Tropicana in WA and in NSW over the past decade.

With Newmont electing to lift its interest in the ODEJV to 75% by completing a Bankable Feasibility Study on McPhillamys, it is now the driver of this project.

Further drilling could expand the resource and Newmont continues to investigate development concepts for the project.

CONTINUED EXPLORATION

We continue to pursue exploration opportunities in the Central West region of New South Wales and in January 2011, Alkane made a new gold and base metal discovery at Cudal, near Orange.

Our commitment to exploration in this region continues and our understanding of the geology supports our conviction in making further discoveries.

BCI SHARES

We sold our remaining investment in BC Iron Ltd, contributing to the profit of \$7.8 million for the year. Funds from the sale were used to progress current projects and exploration activities. We were instrumental in the formation of BC Iron and have been a strong supporter of its rapid progress towards production. We wish BC Iron all success in the future.



CHAIRMAN'S REPORT

CAPITAL RAISING & OTCQX LISTING

Following the end of the 2010 financial year, Alkane completed a \$21 million placement to institutional and sophisticated investors, issuing 20 million shares at \$1.05 a share.

Funds from the placement will be used to complete the Dubbo Zirconia Project's DFS, meet the preliminary development costs of the Tomingley Gold Project, fund the ongoing evaluation of gold and copper exploration projects and provide working capital.

Alkane has begun trading in the US on OTCQX International, with Alkane's American Depositary Receipts (ADRs), under the symbol "ANLKY". Each Alkane ADR represents 10 ordinary shares.

ADR's create a broader global secondary market for a company's listed securities, making it easier for investors in the US and Canada to acquire an interest in Australian companies like Alkane.

Alkane's shares were also included in the S&P All Ordinaries Index following a regular review of the entire S&P/ASX index suite which considers the aggregate market capitalisation and liquidity of stocks for the preceding six months as a basis for eligibility. The S&P All Ordinaries Index represents the 500 largest companies in the Australian equities market. S&P Indices is the world's leading index provider and maintains a wide variety of investable and benchmark indices to meet investor needs.

VALE IAN CORNELIUS

A sad item to record is the untimely passing in Perth of long standing director, Mr Ian (Inky) Cornelius. Inky had been Chairman of Alkane for 20 years to 2006 and remained a non-executive director. His wise counsel and commitment to exploration and the mining industry will be sadly missed, particularly as Alkane moves closer to goals he long cherished.

ACKNOWLEDGEMENTS

I would like to thank fellow directors, our consultants and exploration team for their continued efforts and look forward to a most rewarding year as Alkane progresses with its major projects.

John S F Dunlop

Chairman



DUBBO ZIRCONIA PROJECT

Zirconium-hafnium, niobium-tantalum, yttrium-rare earths – NSW
 Australian Zirconia Ltd (AZL) 100%

The Dubbo Zirconia Project (DZP) is located 30 kilometres south of the large regional centre of Dubbo in the Central West Region of New South Wales. The DZP is based upon one of the world's largest in-ground resources of the metals zirconium, hafnium, niobium, tantalum, yttrium, and rare earth elements. Over several years the Company has developed a flow sheet consisting of sulphuric acid leach followed by solvent extraction recovery and refining to produce several products.

The deposit hosting the mineralisation is a sub-volcanic trachyte vertical intrusive body with dimensions of approximately 900 metres by 600 metres, which was drilled out in 2000 – 2001 to 55 metre depth to generate a Measured Resource and to 100 metres for an additional Inferred Resource.

Identified Mineral Resources at 31 December 2010 remained at:

Toongi Deposit	Tonnage (Mt)	ZrO ₂ (%)	HfO ₂ (%)	Nb ₂ O ₅ (%)	Ta ₂ O ₅ (%)	Y ₂ O ₃ (%)	REO (%)	U ₃ O ₈ (%)
Measured	35.70	1.96	0.04	0.46	0.03	0.14	0.75	0.014
Inferred	37.50	1.96	0.04	0.46	0.03	0.14	0.75	0.014
TOTAL	73.20	1.96	0.04	0.46	0.03	0.14	0.75	0.014

These Mineral Resources are based upon information compiled by Mr Terry Ransted MAusIMM (Principal, Multi Metal Consultants Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Terry Ransted consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology were given in the 2004 Annual Report.

TZ Minerals International Pty Ltd (TZMI) in Perth is the program and feasibility study manager; a task they have been coordinating since the inception of the project in 1998.

The Demonstration Pilot Plant (DPP) has been operating at the laboratory facilities of ANSTO Minerals at Lucas Heights south of Sydney since May 2008 and to date has recovered substantial sample quantities of zirconium products and niobium concentrate. Throughout the year the DPP continued to operate for short periods to trial engineering and process innovations such as pulse columns for the solvent extraction circuit, and provide loaded solutions to trial yttrium and rare earth recovery processes.

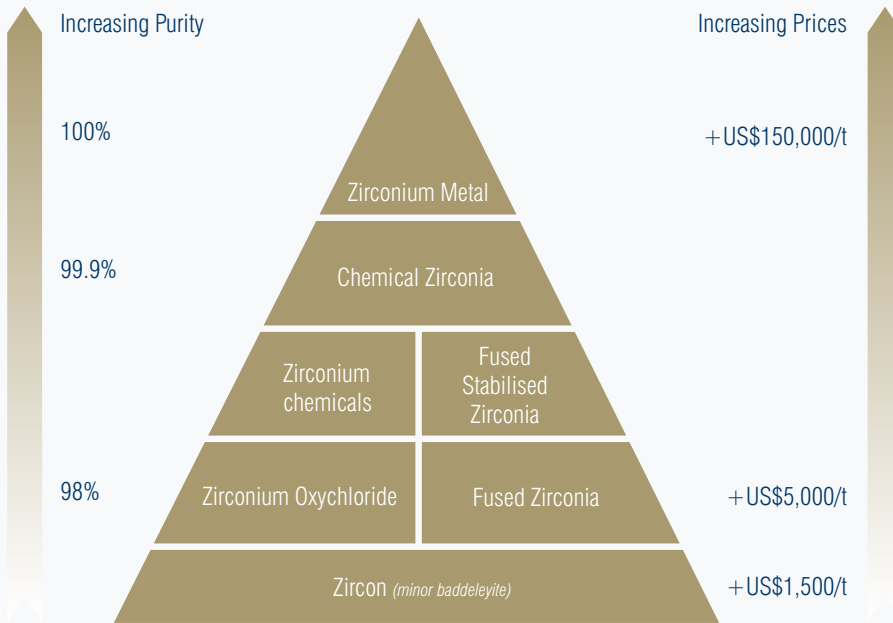
Separate programs to improve the quality of existing zirconium and niobium products also continued with success in minimising contaminants within the zirconium product suite, and production of a ferro-niobium product which is a primary additive for HSLA (high strength low alloy) steels.

The previous laboratory tested process to recover yttrium and heavy rare earths (HREE = gadolinium, terbium, dysprosium and erbium) has been operating within the DPP with about 30 kilograms of filter cake recovered to date. This filter cake is being further processed to produce a marketable YHREE product.

Laboratory scale testing for the recovery of light rare earths (LREE = lanthanum, cerium, neodymium, praseodymium and samarium) has successfully produced a high quality rare earth oxide concentrate product containing + 99% REOs. Further laboratory scale optimisation was completed and the LREE circuit within the DPP is planned to be operational in the second quarter of 2011.



ZIRCONIUM MATERIALS PYRAMID



Source: TCMS

Market Developments

Zirconium

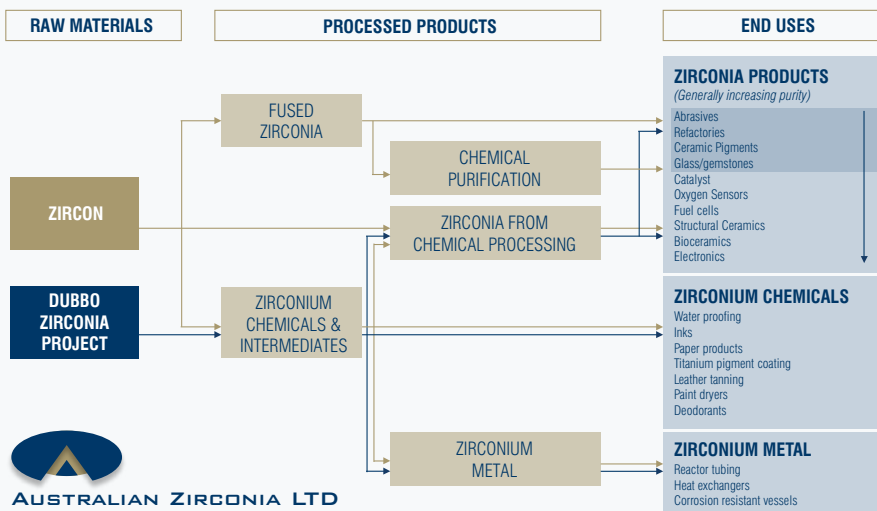
As shown on the accompanying diagram, the zirconium industry is based upon the mineral zircon which is largely recovered from mineral sands mining operations associated with the recovery of the titanium minerals, ilmenite and rutile.

Apart from the downturn caused by the Global Financial Crisis (GFC), the zircon industry has grown strongly over the last five years driven by demand from China and its urbanisation program. In late 2009, TZMI documented a developing shortfall in zircon production (see ASX 31 March 2010 Quarterly Report, 29 April 2010) and this shortfall was manifest late in 2010 and early 2011 as the price rapidly escalated from US\$900/tonne to US\$1,500/tonne.

The shortfall is expected to deteriorate over the next few years and there has already been a dramatic flow-on effect into downstream products with prices increasing by as much as 100% in some products early in 2011. As with rare earths, China is a dominant producer in the downstream zirconium business and its current output equates to about 90% of world production of zirconium oxychloride (ZOC) and 60% of fused zirconia (FZA). China has limited domestic zircon supply and the mineral is largely imported, so the supply shortage has created serious issues for its downstream zirconium industry and export of those products.

This situation has had a very positive impact on potential revenues for zirconium products for the DZP and has opened up several new markets for DZP products which were not previously considered viable.

The DZP can now supply into a broad spectrum of end uses as demonstrated on the left.



AUSTRALIAN ZIRCONIA LTD
(A SUBSIDIARY OF ALKANE RESOURCES LTD)

Dubbo Zirconia Project
Structure of Zirconium Industry

Source: TZMI/TCMS



Rare Earths

Throughout 2010, rare earth prices rose dramatically from a very low base at the beginning of the year to highs in some instances reflecting 400% increases due to restrictions of supply from China, the world’s dominant producer of rare earths.

In November 2010, the Chinese Ministry of Commerce (Mofcom) gave preliminary advice that their export quotas for rare earth products for 2011 were to be further reduced, such that the export of the primary products would be reduced by about 30% of 2010 levels. This anticipated reduction almost immediately impacted on prices again, resulting in further significant rises.

The high prices are unlikely to be reduced until the two new anticipated large non-Chinese producers, Lynas Corporation and Molycorp come on stream through 2012 and 2013. These producers have largely light rare earth output and the DZP, while having smaller total production, has a significant heavy rare earth component and is likely to attract a premium for that output.

Like the zirconium market, the developments in the rare earth sector have had a positive flow-on effect to the potential DZP revenue stream.

Key Drivers of Demand

Application	Rare Earths	Demand Drivers
Magnets	Nd, Pr, Sm, Tb, Dy	Drivers for computers, mobile phones, mp3 players, cameras. Hybrid vehicle electric motors. Electric motors for luxury vehicles. Mag-lev trains.
LaNiH Batteries	La, Ce, Pr, Nd	Hybrid vehicle batteries. Hydrogen absorption alloys for re-chargeable batteries.
Phosphors	Eu, Y, Tb, La, Dy, Ce, Pr, Gd	LCDs, PDPs, LEDs. Energy efficient fluorescent lights/lamps.
Fluid Cracking Catalyst	La, Ce, Pr, Nd	Petroleum production - greater consumption by ‘heavy’ oiuls and tar stands
Polishing Powders	Ce, La, Nd	Mechano-chemical polishing powders for TVs, monitors, mirrors and (in nano-particulate form) silicon chips.
Auto Catalysts	Ce, La, Nd	Tighter NO and SO ₂ standards - platinum is re-cyded, but for rare earths it is not economic
Glass Additive	Ce, La, Nd, Er	Cerium cuts down transmission of UV light. La increases glass refractive index for digital camera lens
Fibre Optics	Er, Y, Tb, Eu	Signal amplification

Source: IMCOA

Niobium

The ferro-niobium market (for use in specialty steels) recovered strongly from the GFC and prices have stabilised while demand is growing steadily. The large Brazilian Company, CBMM, remains the dominant producer in the niobium business and the future strength of the industry was underlined recently when a Japanese-Korean consortium acquired a 15% interest in CBMM for US\$1.95 billion.

Definitive Feasibility Study (DFS)

The DPP operation continued to confirm the process flow sheet and provide engineering data for capital and operating cost estimates, as well as generating substantial product for market evaluation. Vendor pricing for capital costs is well advanced.

At the beginning of 2010, the base case for the development was set at 400,000 tonnes per annum ore throughput based upon the Company’s assessment of its ability to establish a presence in the zirconium market. As a result of expanding markets for all the Project’s output, a 1 million tonne per annum ore throughput model will also be considered as part of the DFS.



REVIEW OF OPERATIONS

Anticipated DZP output:

Potential Outputs		
Product	400,000tpa (Base Case)	1,000,000tpa (Likely Case)
ZBS, ZOH, ZBC, ZrO ₂	15,000tpa (6ktpa ZrO ₂)	37,000tpa (15ktpa ZrO ₂)
Nb - Ta concentrate	2,000tpa (1.4ktpa Nb ₂ O ₅)	5,000tpa (3.5ktpa Nb ₂ O ₅)
LREE concentrate	1,415tpa (REOs)	3,540tpa (REOs)
YHREE concentrate	425tpa (REOs)	1,070tpa (REOs)

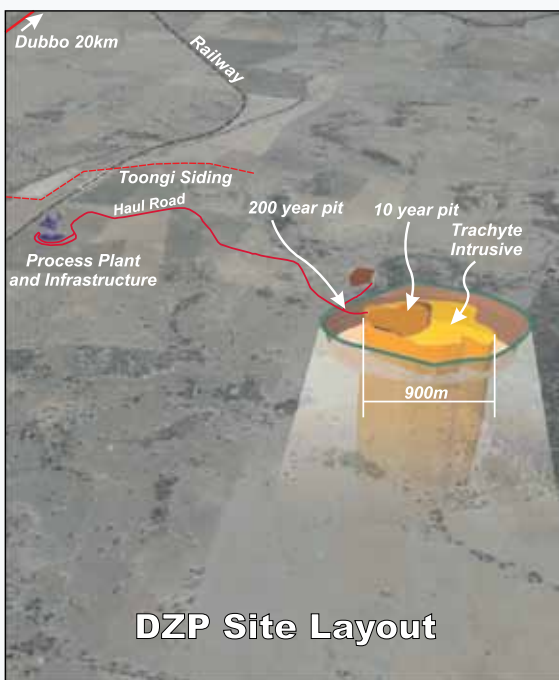
ZBS = zirconium basic sulphate; ZOH = zirconium hydroxide; ZBC = zirconium carbonate; ZrO₂ = zirconia;
 Equivalent ~99% ZrO₂ + HfO₂ basis. Nb-Ta concentrate = ~70% Nb₂O₅; 1.0% Ta₂O₅ calcined basis.
 LREE = Lanthanum, cerium, neodymium and praseodymium; YHREE = yttrium, gadolinium, dysprosium and terbium @ 50% rec.

All processing facilities would be located on-site at Toongi, about 30 kilometres south of Dubbo.

While actual revenues for the project are still being researched, current projections indicate potential of US\$165 million per annum using conservative pricing for the base case and US\$415 million for the likely 1Mtpa case. This excludes production of separated rare earth products. The currently defined resource would enable a 200 year open pit life for this base case development.

Discussions continued with potential customers for the DZP output and Letters of Intent or Memorandums of Understanding from future customers will be incorporated in the current DFS. Due to the dramatic changes in demand and price for many rare earth products and the desire to fully test the yttrium and rare earth recovery circuits in the DPP, the timing for completion of the DFS was extended to mid 2011.

Depending upon financing and Development Consent from the New South Wales state government, the DZP could be in production late in 2013.



TOMINGLEY GOLD PROJECT (TGP)

Gold – New South Wales

Alkane Resources Ltd 100% (subject to separate royalty agreements with Compass Resources NL, Golden Cross Operations Pty Ltd and Climax Mining Ltd)

The **TGP** is situated in the Central West of New South Wales, and is centred on three gold deposits located 14 kilometres north of the Company's Peak Hill Gold Mine. Exploration drilling discovered the Wyoming One deposit in 2002 and Wyoming Three in 2003. The Caloma deposit was recognised in 2006 with initial resource drilling completed in 2008.

Defined Resources

Mr Richard Lewis of Lewis Mineral Resource Consultants Pty Ltd (LMRC), who completed the original resource assessment for the project, compiled a revised model for the Caloma deposit during the year.

Identified Mineral Resources as at 31 December 2010 above a cut off of 0.75g/t gold.

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		
	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Gold (koz)
Top Cut 2.5x2.5x5.0m model									
Wyoming One	2,227,000	2.07	882,000	2.25	3,478,000	1.62	6,587,000	1.86	393.2
Wyoming Three	630,000	1.87	58,000	1.73	154,000	1.25	842,000	1.75	47.3
Caloma	2,047,750	2.04	440,050	1.71	1,371,620	1.36	3,859,420	1.76	218.5
Total	4,904,750	2.03	1,380,050	2.06	5,003,620	1.54	11,288,420	1.82	658.9

These Mineral Resources are based upon information compiled by Mr Richard Lewis MAusIMM (Lewis Mineral Resource Consultants Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Richard Lewis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology are given in the ASX Report dated 25 March 2009 and 2 October 2009.

Definitive Feasibility Study (DFS)

The DFS was completed late in the year under the management of Mintrex Pty Ltd, the consulting division of Perth engineering group, Holtfretrs Pty Ltd with input from Alkane personnel and external consultants. The results of the DFS were reported to the ASX on 13 December 2010, and are summarised below.

The financial projections were developed utilizing a gold price of \$1,400 per ounce in Australian Dollars on a quarterly period basis. Comparative results for \$1,400/oz (base case), \$1,500/oz (anticipated) and \$1,600/oz (upside) results were presented.

The Base Case analysis incorporates the current ore reserve and anticipated additional recoverable mineral resources from the open pits and underground mining. Metallurgical recoveries were determined by extensive testing of drill samples. The project life is approximately 7.5 years and will recover 369,261 ounces.

The financial analysis is based on pit designs derived from pit shells generated at \$1,540/oz and underground mine design optimized at \$1,250/oz. Total capital requirement for the project was estimated at A\$95 million, including a 10% contingency.

Summary of Life of Mine Production – Base Case 7.5 years

	Open Pit	Underground	Total
Ore Tonnes Mined (t)	5,883,183	679,417	6,562,600
Waste Tonnes Mined (t)	44,574,441	199,657	44,774,098
Total Tonnes Mined (t)	50,457,624	879,074	51,336,698
Average Mined Grade (g/t)	1.64	3.98	1.88
Total Gold Recovered (oz)	288,322	80,939	369,261



REVIEW OF OPERATIONS

Summary of Project Financials – Base Case 7.5 years

Financial Summary			
	Base Case	Anticipated	Upside
Gold Price	A\$1,400 / oz	A\$1,500 / oz	A\$1,600 / oz
Revenue	\$516.97m	\$553.89m	\$590.82m
Operating Cash Flow	\$155.20m	\$192.13m	\$233.86m
Net Cash Flow*	\$65.39m	\$102.32m	\$144.65m
IRR	14.5%	22.2%	33.3%
NPV	\$15.08m	\$41.61m	\$76.73m

*Net Cash Flow = EBITDA, including State royalties but excludes Compass Resources Limited royalty

Project Financial Advisors

Noah's Rule Pty Ltd were appointed advisors to the Company to assist in providing financing facilities for the Project and they have commenced negotiating alternatives which will include a hedging component for the gold output revenue.

Development Timetable

Depending upon suitable financing being secured for the project, the development timetable will be contingent upon achieving project approval from the NSW Minister for Planning. The final Environmental Assessment (EA) is scheduled to be lodged imminently and the review and consent process is expected to take approximately six months. Total construction time is estimated at fifteen months, and first gold production anticipated late 2012.



Peak Hill Gold Mine

Final rehabilitation involving major works in reshaping, topsoiling and seeding of the heaps to create a long-term stable landform have been completed but the office infrastructure and exploration base will remain in place until development at Tomingley is completed.

The significant but moderately refractory sulphide gold-copper orebody below the oxide mine remains subject to ongoing review and will be re-assessed following successful development at Tomingley. The proximity to the town of Peak Hill homes and infrastructure however, means any mine development would be underground.

Identified Mineral Resources at Peak Hill as at 31 December 2010 remained as:

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		k Ounces
	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	
0.5g/t gold cut off									
Proprietary			9,440,000	1.35	1,830,000	0.98	11,270,000	1.29	467.4

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		k Ounces
	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	
3.0g/t gold cut off									
Proprietary					810,000	4.40	810,000	4.40	114.6

These Mineral Resources are based upon information compiled by Mr Terry Ransted MAusIMM (Principal, Multi Metal Consultants Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Terry Ransted consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology were given in the 2004 Annual Report.



ORANGE DISTRICT EXPLORATION JOINT VENTURE - ODEJV

Gold, Copper – NSW
 Alkane Resources Ltd 49%, Newmont Australia Limited 51%

The **Orange District Exploration Joint Venture (ODEJV)** includes Alkane’s **Molong** and **Moorilda** tenements located near the city of Orange in the Central West of New South Wales, adjacent to Newcrest Mining Ltd’s Cadia Valley Operations.

Exploration by the joint venture in the last few years has focussed on the McPhillamys gold discovery which is located within the Moorilda Project, and centred about 35 kilometres south east of Orange. The project (175km² in area) covers the structural boundary between the Ordovician aged andesitic volcanic and monzonitic intrusive complexes, and Silurian felsic volcanic and sedimentary sequences.

Newmont Australia Limited (NAL) earned a 51% interest in the ODEJV in August 2009. In March 2010 NAL elected to proceed to 75% by completing a Bankable Feasibility Study (BFS) on the McPhillamys Project (ASX Announcement 2 March 2010). NAL is a subsidiary of the US based Newmont Mining Corporation (NYSE:NEM).

McPhillamys

Several AC, RC and core drilling programs have identified a large gold mineralised system within Silurian volcanics at McPhillamys. This mineralisation is largely hosted by a north-south striking, generally steep east-dipping, altered coarse grained felsic to intermediate volcanic, volcanoclastic and intrusive sequence, with variable sulphide content up to 10%. Quartz veining is rare.

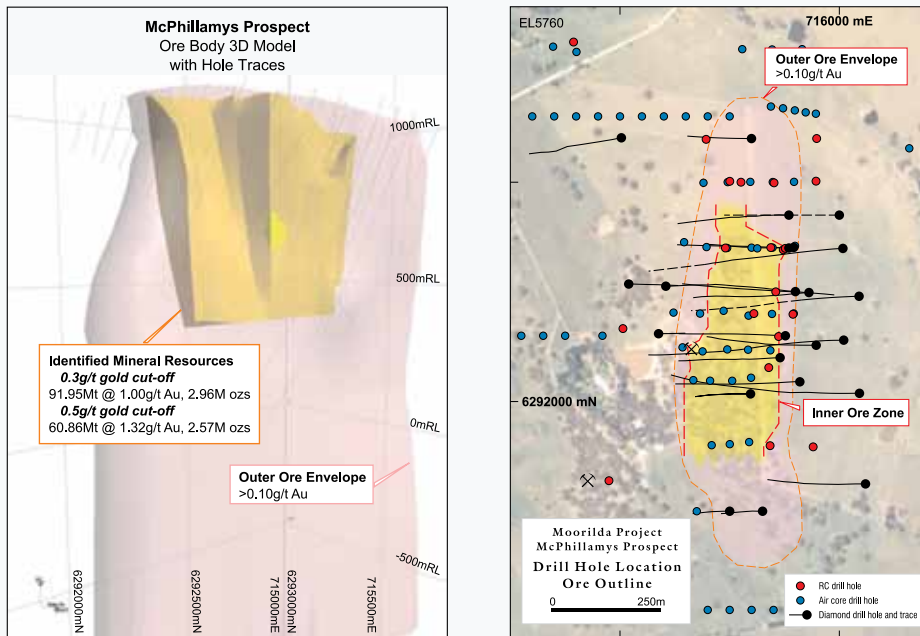
The deposit crops out, forming a moderate hill at around 950 metres above sea level. The mineralisation is variably oxidised with the base of oxidation varying from about 10 metres to about 55 metres below the ground surface.

Wide spaced drilling has defined a plus 0.1g/t gold mineralised envelope (“Outer Ore Envelope”) extending over a north-south strike of at least 1000 metres with width up to 260 metres and to depths of around 600 metres. Higher grade zones are identified within the core of this envelope.

The broad gold envelope has associated weak copper mineralisation as chalcopyrite and this increases to greater than 0.1% copper in the higher grade inner zone where gold increases to plus 2.00g/t. Other base metal mineralisation, such as zinc and lead occasionally form discrete zones peripheral to the gold mineralisation.

The mineralisation remains open at depth.

With NAL’s agreement, Alkane commissioned an independent review of the resource potential as defined by the existing drilling.



Resource Estimation

The resource assessment was completed by Richard Lewis of Lewis Mineral Resource Consulting Pty Ltd (LMRC) in Sydney. For the resource assessment, an “Inner Ore Zone” with dimensions of approximately 600 metres by 200 metres and extending down to approximately 525 metres below the ground surface, was defined by higher density drilling and overall higher grades within the “Outer Ore Envelope”. The higher drilling density provided a greater level of confidence in the continuity of widths and grade of the mineralisation. The resource estimate modelled mineralisation within both the zones however the majority of the resource lies within the “Inner Ore Zone”

Several different grade estimation methods were employed to generate comparative estimations and confirm the statement validity.

Identified Mineral Resources at McPhillamys as at 31 December 2010:

DEPOSIT	INDICATED			INFERRED			TOTAL					
	McPhillamys 0.3g/t Au cut-off	Tonnage (t)	Grade (g/t)	Grade % Cu	Tonnage (t)	Grade (g/t)	Grade % Cu	Tonnage (t)	Grade (g/t)	Grade % Cu	k Ounces gold	tonnes copper
Inner Ore Zone	51,650,000	1.10	0.07	23,504,000	1.19	0.07	75,154,000	1.13	0.07		2,723.6	55,091
Outer Ore Envelope	9,624,000	0.44	0.04	7,167,000	0.43	0.03	16,791,000	0.43	0.03		234.7	5,729
Total	61,274,000	0.99	0.07	30,671,000	1.01	0.06	91,945,000	1.00	0.07		2,958.3	60,820

DEPOSIT	INDICATED			INFERRED			TOTAL					
	McPhillamys 0.5g/t Au cut-off	Tonnage (t)	Grade (g/t)	Grade % Cu	Tonnage (t)	Grade (g/t)	Grade % Cu	Tonnage (t)	Grade (g/t)	Grade % Cu	k Ounces gold	tonnes copper
Inner Ore Zone	41,260,000	1.27	0.08	16,097,000	1.57	0.09	57,357,000	1.36	0.08		2,499.9	46,933
Outer Ore Envelope	2,169,000	0.69	0.03	1,338,000	0.62	0.03	3,507,000	0.66	0.03		74.6	1,170
Total	43,429,000	1.24	0.08	17,435,000	1.50	0.08	60,864,000	1.32	0.08		2,574.5	48,104

These Mineral Resources are based upon information compiled by Mr Richard Lewis MAusIMM (Lewis Mineral Resource Consulting Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Richard Lewis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology were given in the ASX Announcement 5 July 2010. Totals may not tally due to rounding.

Further drilling could increase the resource potential, converting parts of the low grade envelope to Identified Mineral Resources status, and extend the mineralisation to depth.

Metallurgy

Preliminary metallurgical testing on core samples indicated standard CIL recoveries of 86 to 91%. Further work will be programmed to expand on the CIL work and also examine the potential for gravity and flotation recovery to include the copper mineralisation.

Development Concepts

NAL previously completed a series of desk top studies to review development models which include various open pit scenarios and a possible underground block cave mining concept. These studies will be expanded as part of the BFS program.



WELLINGTON

Copper, Gold – NSW
Alkane Resources Ltd 100%

The Wellington Project is centred 15 kilometres to the southeast of the town of Wellington. The project hosts several targets, including the **Federal** gold and **Galwadgere** copper-gold prospects. The Galwadgere deposit, which has been the focus of most of the recent exploration effort, is located adjacent to favourable infrastructure, being three kilometres from the main Western Railway, near to power and water.

The Company carried out a drilling program in 2004-5 which has enabled an initial shallow resource to be calculated at **Galwadgere**.

Identified Mineral Resources at 31 December 2010:

DEPOSIT	MEASURED			INDICATED			
	0.5% Cu cut off	Tonnage (t)	Grade (% Cu)	Grade (g/t)	Tonnage (t)	Grade (% Cu)	Grade (g/t)
Galwadgere		-	-		2,090,000	0.99	0.3

These Mineral Resources are based upon information compiled by Mr Terry Ransted MAusIMM (Principal, Multi Metal Consultants Pty Ltd) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Terry Ransted consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. The full details of methodology were given in the 2005 Annual Report

During 2010 reconnaissance geological mapping was undertaken to advance the understanding of the mineralisation in its regional setting, and drill testing of targets was scheduled for early 2011.

EXPLORATION

The Company has several other exploration projects in Central West of New South Wales, as well as a residual 23% reducing interest in a nickel sulphide joint venture with Xstrata Nickel at Leinster in Western Australia. Only limited work was completed at **Leinster** during the year.

Ground reconnaissance work was completed at **Bodangora** and **Cudal**. Drilling of several target areas at the Bowen Park One area within Cudal, identified a gold and zinc mineralised fault zone within andesitic volcanics. The zone is best defined in CUD006 where drilling returned **17m @ 1.2 g/t Au, 2.8% Zn, 7.29g/t Ag from 96m, including. 4m @ 2.2 g/t Au, 7% Zn, 16 g/t Ag** from a pyrite-sphalerite-carbonate rich zone.

Further drilling will be scheduled to evaluate this mineralisation and other target areas in Cudal and at the Comobella target area at Bodangora.

Unless otherwise stated this report is based on information compiled by Mr D I 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 Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ian Chalmers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.



Alkane is committed in all its activities to compliance with all laws and regulations in relation to environment and occupational health and safety. The Company strives continually to improve its standards in parallel with industry leading practice for both the Peak Hill Gold Mine decommissioning and closure, and for ongoing exploration and mine development.

A reputation for integrity and responsible behaviour motivates Alkane's employees and builds trust within the communities where we operate.

Risk Policy & Framework Review

Alkane undertook a review of its risk policy and framework during 2007 when Deloitte (Perth) facilitated a risk assessment workshop for Alkane Directors and staff. An Operational Risk Management Sponsor has been appointed with the responsibility of keeping the policy and framework updated subject to formal approval of policy amendments by the Board. The Company is committed to actively managing risks to its operations.

Occupational Health and Safety

A full time site manager maintains the Peak Hill Gold Mine during decommissioning. The facilities at the mine site provide support for exploration activities on the Tomingley Gold Project 15 kilometres to the north of Peak Hill.

Alkane also maintains exploration offices in Dubbo and Orange to service the Group's tenements in the Central West of New South Wales.

Newmont Exploration Pty Ltd took over management of the Orange District Exploration Joint Venture in January 2009 and consequently Alkane's exploration staff have shifted much of their attention to the Tomingley Gold Project, Cudal and Wellington district tenements.

Over the past twelve months, Alkane has engaged numerous specialist consultants to work on the Tomingley Gold Project Definitive Feasibility Study and Environmental Assessment.

Alkane engaged one casual employee to work on the Dubbo Zirconia Project Demonstration Pilot Plant during 2010. This project is being conducted at ANSTO Minerals, Lucas Heights.

There were no Lost Time Injuries (LTIs) across any of Alkane's tenements during 2010.



ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY REVIEW

OH&S Results 2008-2010

	2008			2009			2010		
	Man Hrs	LTIs	Minor Injuries	Man Hrs	LTIs	Minor Injuries	Man Hrs	LTIs	Minor Injuries
Alkane	14,863	0	0	15,168	0	0	14,649	0	0
Contractors	10,660	1	0	9,603	3	0	6,389	0	0
Visitors	0	0	0	0	0	0	0	0	0
Total	25,523	1	0	24,771	3	0	21,038	0	0

Environment and Community 2010

There are currently in place 19 Approvals and Licences for the mining and processing operation, access to water and for pipeline routes. There were no breaches of environmental requirements either at the mine site or on the group's exploration tenements in 2010.

During 2010, the Company was in compliance with all consent conditions and approvals. An Annual Environmental Management Report meeting was held on site at Peak Hill on 14th April 2010 with a representative from Industry & Investment NSW. All of the Peak Hill Gold Mine leases were considered substantially rehabilitated and no further joint agency meetings will be required unless a special request is made. The rehabilitated final landforms across the mine site are becoming increasingly species rich. Several bird and mammal species, absent prior to mining (1996-2002), have re-established on the mining leases.

Operation of the Open Cut Experience (tourist mine) was transferred to Parkes Shire Council in 2007. This tourism asset continues to generate economic activity in the local area, post mine-closure.

In 2010, Alkane signed a Community Engagement Protocol with six Peak Hill Wiradjuri organisations. This document captures community aspirations to share in the benefits from development of the Tomingley Gold Project. Alkane is committed to sustainable community development.

The Peak Hill Gold Mine, essentially on care and maintenance, is still a minor contributor to the local economy and community. In 2010, Alkane supported the Dubbo Support Group (Royal Flying Doctor Service), Peak Hill and Narromine Show Societies, local sporting clubs, Dubbo College Senior Campus (Astley/Mulvey Cup), St Josephs Primary School Peak Hill (walkathon) and Tomingley Picnic Race Club.

In 2010, Alkane supported the Re-Engineering Australia Foundation - F1 in Schools Program. Alkane's sponsorship of an Orana/Central West Hub is aimed at developing skills pathways into trades and engineering based technology careers.

There were no complaints received by the Company in 2010.



DIRECTORS' REPORT

The directors present their report on the consolidated entity consisting of Alkane Resources Ltd (ACN 000 689 216) and the entities it controlled at the end of, or during, the year ended 31 December 2010.

DIRECTORS

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

J S F Dunlop (Chairman)
D I Chalmers
I J Gandel
A D Lethlean
I R Cornelius (deceased 14 July 2010)

PRINCIPAL ACTIVITIES

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

RESULTS

The net amount of consolidated profit of the Group for the financial year after income tax was \$7,789,079 (2009 profit \$2,297,604).

DIVIDENDS

No dividends have been paid by the Company during the financial year ended 31 December 2010, nor have the directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

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

A Definitive Feasibility Study for the development of the Tomingley gold deposits was completed in December 2010. The final Environmental Assessment is scheduled to be lodged early in 2011 with the review and consent process expected to take approximately five months. A financial adviser has been appointed to investigate funding alternatives for project development.

The Demonstration Pilot Plant (DPP) for the Dubbo Zirconia Project continues to confirm the process flow sheet and provide engineering data for capital and operating cost estimates as well as generate substantial product for market evaluation. In particular, during the year work has progressed on the recovery of yttrium heavy rare earth (YHREE) and light rare earth (LREE) products. Discussions continue with potential customers with a view to negotiation of off-take agreements for the project's suite of products.

Exploration and evaluation continued on the Orange District Exploration Joint Venture, managed by Newmont Australia. A resource assessment of the significant gold discovery at McPhillamys was published by the Company in July and the project was enhanced by further drilling during the year.

Work also continues on the Company's other exploration projects including Cudal, Wellington (including the Galwadgere copper-gold prospect), Bodangora, Calula and Diamond Creek.

In April, the Company raised approximately \$9.7m (less costs) by the sale of its remaining investment in BC Iron Ltd.

A Sponsored American Depositary Receipt (ADR) program was established late in 2010 providing a broader secondary market for the Company's listed securities. The ADRs are tradeable via licensed US brokers in the ordinary course of trading on OTC Markets in the United States with a ratio of 10 ordinary shares to one ADR.



SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The state of affairs of the Company was not affected by any significant changes during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

On 31 January 2011, wholly owned subsidiaries Tomingley Holdings Pty Ltd and Tomingley Gold Operations Pty Ltd were formed.

On 17 February 2011, 20 million shares were issued at \$1.05 per share completing a placement to raise additional funds for the Company's continuing activities.

On 24 February 2011, the Company's sponsored ADRs commenced quotation on the US OTC market's prestigious tier, OTCQX International.

No other matter or circumstance has arisen since 31 December 2010 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2010.

LIKELY DEVELOPMENTS

The Company intends to continue exploration on its existing tenements, to acquire further tenements for exploration of all minerals, to seek other areas of investment in the resources industry and to develop the resources on its tenements.

ENVIRONMENTAL REGULATION

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

Mining

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

Exploration

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

General

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

PARTICULARS OF DIRECTORS**John Stuart Ferguson Dunlop (Non-Executive Chairman)**

BE (Min), MEng Sc (Min), FAusIMM (CP), FIMM, MAIME, MCIMM

Appointed director and Chairman 3 July 2006

Mr Dunlop (60) is a consultant mining engineer with about 40 years surface and underground mining experience both in Australia and overseas. He is a former director of the Australian Institute of Mining and Metallurgy (2001 - 2006) and is currently Chairman of its affiliate, MICA the Mineral Consultants Society.

Mr Dunlop is non-executive chairman of Alliance Resources Ltd (appointed 30 November 1994) and a non-executive director of Gippsland Ltd (appointed 1 July 2005) and of Copper Strike Ltd (appointed 9 November 2009). Former public company directorships in the previous three years are: Encore Metals NL (November 1999 to November 2006) and Drummond Gold Ltd (1 August 2008 - 15 July 2010).

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



David Ian (Ian) Chalmers (Managing Director)*MSc, FAusIMM, FAIG, FIMMM, FSEG, MSGA, MGSA, FAICD*

Appointed director 10 June 1986, appointed Managing Director 5 October 2006

Mr Chalmers (62) is a geologist and graduate of the Western Australian Institute of Technology (Curtin University) and has a Master of Science degree from the University of Leicester in the United Kingdom. He has worked in the mining and exploration industry for over 40 years, during which time he has had experience in all facets of exploration through feasibility and development to the production phase.

Mr Chalmers is currently a principal in Multi Metal Consultants Pty Ltd. During the last three years Mr Chalmers was also a non-executive director of AuDAX Resources Ltd (October 1993 to February 2009) and Northern Star Resources Ltd (May 2000 to September 2008).

Mr Chalmers is a member of the Nomination Committee and was a member of the Remuneration Committee until December 2010.

Ian Jeffrey Gandel (Non-executive Director)*LLB, BEc, FCPA, FAICD*

Appointed director 24 July 2006

Mr Gandel (53) is a successful Melbourne businessman with extensive experience in retail management and retail property. He has been a director of the Gandel Retail Trust and has had an involvement in the construction and leasing of Gandel shopping centres. He has previously been involved in the Priceline retail chain and the CEO chain of serviced offices.

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

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

Anthony Dean Lethlean (Non-executive Director)*BAppSc(geology)*

Appointed director 30 May 2002

Mr Lethlean (47) is a geologist with over 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years, Mr Lethlean has been working as a resources analyst with various stockbrokers and is currently a director of Helmsec Global Capital Limited (Mr Lethlean is a substantial shareholder in Helmsec Global Capital Limited). Mr Lethlean is a non-executive director of Alliance Resources Ltd (appointed 15 October 2003).

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

JOINT COMPANY SECRETARIES**Lindsay Arthur Colless***CA, JP (NSW), FAICD*

Mr Colless (65) is a member of the Institute of Chartered Accountants in Australia with over 15 years experience in the profession and a further 33 years experience in Commerce, mainly in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director. He is a director and/or secretary of a number of public companies.



Karen E V Brown

BEC (hons)

Miss Brown (50) is a director and company secretary of Mineral Administration Services Pty Ltd. She has considerable experience in corporate administration of listed companies over a period exceeding 20 years, primarily in the mineral exploration industry. She is company secretary of a number of publicly listed companies including Northern Star Resources Ltd, Alkane Resources Ltd and General Mining Corporation Ltd.

NOMINATION COMMITTEE

The Nomination Committee comprises the full Board.

DIRECTORS' MEETINGS

The following sets out the number of meetings of the Company's directors held during the year ended 31 December 2010 and the number of meetings attended by each director.

There were six (6) Directors' meetings, two (2) Audit, two (2) Nomination and one (1) Remuneration Committee meetings held during the financial year.

The number of meetings attended by each director during the year (while they were a director or committee member) is as follows:

Director	Committee Meetings							
	Board of Directors		Audit		Nomination		Remuneration	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
J S F Dunlop	6	6	2	2	2	2	1	1
D I Chalmers	6	6	n/a	n/a	2	2	1	1
I R Cornelius	3	1	n/a	n/a	1	1	-	-
I J Gandel	6	6	2	2	2	1	1	-
A D Lethlean	6	6	2	2	2	2	1	1

SHARE OPTIONS

There were no unissued ordinary shares of Alkane Resources Ltd under option at the date of this report.

No person who was entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

DIRECTORS' INTERESTS AND BENEFITS

- a) technical services and geological consulting fees of \$583,580 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.
- b) consulting fees of \$6,525 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.

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



REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements
- D. Share-based compensation
- E. Additional information

The information provided in this report has been audited as required by section 308(3C) of the Corporations Act 2001.

The information provided within this remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 'Related Party Disclosures'. These disclosures have been transferred from the financial report and have been audited.

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

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

The Board ensures that executive reward satisfies the following key criteria for good reward corporate governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

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

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Director's fees

Directors' fees are determined within an aggregate directors' fee pool limit (currently \$450,000 per annum), which is periodically recommended for approval by shareholders. This amount is separate from any specific tasks the directors may take on for the Company. For example, Multi Metal Consultants Pty Ltd of which Mr Chalmers is a principal provides technical services for the Company, separate from his task as an executive Director.

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

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



B. Details of remuneration (audited)

	<i>Consolidated</i>		<i>Parent entity</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	\$	\$	\$	\$
Total income received, or due and receivable, by directors of Alkane Resources Ltd from the Company, and any related party in connection with the management of the Company and any related parties.	898,605	893,168	767,377	817,333

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

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

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

Key Management Personnel and other executives of the Company

<i>Name</i>	<i>Short-term benefits Cash Salary and fees</i>	<i>Post-employment benefits Superannuation</i>	<i>Share-based payment</i>	<i>Total</i>
	\$	\$	\$	\$
<i>Executive Director of Alkane Resources Ltd</i>				
<i>2010</i>				
D I Chalmers	654,531 ^a	-	-	654,531
<i>Non-executive Directors of Alkane Resources Ltd</i>				
<i>2010</i>				
J S F Dunlop	91,785	-	-	91,785
I R Cornelius	29,795	-	-	29,795
I J Gandel	60,000	-	-	60,000
A D Lethlean	62,492	-	-	62,492
	244,072 ^b	-	-	244,072
<i>Key management personnel of Alkane Resources Ltd</i>				
<i>2010</i>				
L A Colless	81,000 ^c	-	-	81,000
K E Brown	81,000 ^c	-	-	81,000
	162,000	-	-	162,000

^a\$70,950 relates to fees paid for Mr Chalmers' services as Managing Director, the balance relates to fees paid to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.

^b\$237,547 relates to fees paid to non-executive directors, the balance relates to consulting fees paid to the directors or related entities for services provided in the normal course of business and at normal commercial rates

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

No long term or termination benefits have been paid.



D I R E C T O R S ' R E P O R T (C O N T ' D)

Name	<i>Short-term benefits Cash Salary and fees</i> \$	<i>Post-employment benefits Superannuation</i> \$	<i>Share-based payment</i> \$	<i>Total</i> \$
<i>Executive Director of Alkane Resources Ltd</i>				
2009				
D I Chalmers	672,015 ^a	-	-	672,015
<i>Non-executive Directors of Alkane Resources Ltd</i>				
2009				
J S F Dunlop	71,160	-	-	71,160
I R Cornelius	50,000	-	-	50,000
I J Gandel	50,000	-	-	50,000
A D Lethlean	49,992	-	-	49,992
	221,152 ^b	-	-	221,152
<i>Key management personnel of Alkane Resources Ltd</i>				
2009				
L A Colless	63,000 ^c	-	-	63,000
K E Brown	63,000 ^c	-	-	63,000
	126,000	-	-	126,000

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

^b\$219,953 relates to fees paid to non-executive directors, the balance relates to consulting fees paid to the directors or related entities for services provided in the normal course of business and at normal commercial rates

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

No long term or termination benefits have been paid.

C. Service agreements (audited)

Formal written consultancy agreements exist with companies of which the Managing Director and key management personnel have a substantial financial interest as detailed below

D I Chalmers

Term of agreement- 2 years commencing October 2009

Agreement

Managing director retainer of \$85,800 per annum payable to Leefab Pty Ltd in which Mr Chalmers has a substantial financial interest pursuant to a formal agreement for a term of two years commencing 1 October 2009.

Geological consulting, technical and support services provided by Multi Metal Consultants Pty Ltd (and its personnel), a company in which Mr Chalmers has a substantial financial interest, pursuant to a formal agreement for a term of two years commencing 1 October 2009.



C. Service agreements (audited) (continued)**Termination**

The Managing Director's engagement may be terminated by agreement between the Company and the Managing Director upon such terms as they mutually agree. A payout of six months fees or the remainder of the term of the contract is payable should the Company be taken over and there is no equivalent role and/or the Managing Director elects to terminate his employment contract.

The Multi Metals Consultants Pty Ltd consultancy agreement may be terminated by six months notice from either the Company or the Consultant.

L A Colless and K E Brown

Term of agreement – on going commencing July 2006

Agreement

Consulting fees of \$13,500 per month payable by the Company and its subsidiaries to Mineral Administration Services Pty Ltd, a company in which Mr Colless and Miss Brown have substantial financial interests.

Termination

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

Non – executive Directors

On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board's policies and terms, including compensation, relevant to the office of the director.

No performance related bonuses or benefits are provided.

J S F Dunlop**Agreement**

Retainer payable to John S Dunlop & Associates Pty Ltd, in which Mr Dunlop has a substantial financial interest, of \$70,000 per annum plus \$5,000 per annum for membership of specified Board committees (\$7,500 for chairmanship of committees) plus per diem of \$1,200 per day up to 4 days per month averaged over a 12 month rolling period for consulting services over and above normal director duties .

Termination

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

I J Gandel**Agreement**

Retainer payable to Gandel Metals Pty Ltd in which Mr Gandel has a substantial financial interest of \$50,000 per annum plus \$5,000 per annum for membership of specified Board committees plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

Termination

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

A D Lethlean**Agreement**

Retainer payable to Rocky Rises Pty Ltd, in which Mr Lethlean has a substantial financial interest, of \$50,000 per annum plus \$5,000 per annum for membership of specified Board committees (\$7,500 for chairmanship of committees) plus per diem of \$1,200 per day up to 4 days per month for consulting services over and above normal director duties.

Termination

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



D. Share-based payments (audited)

Options granted during the year

No options were granted to the directors during the year.

Options granted during the year

No options were granted to the directors during the year.

Shares issued on exercise of remuneration options

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each director of Alkane Resources Ltd and other key management personnel of the Group are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options	
		2010	2009
Directors of Alkane Resources Ltd			
I J Gandel	25 September 2009	-	500,000
J S Dunlop	25 September 2009	-	495,000
I R Cornelius	29 September 2009	-	1,000,000
A D Lethlean	29 September 2009	-	317,426
A D Lethlean	30 September 2009	-	176,570
J S F Dunlop	30 September 2009	-	5,000
D I Chalmers	30 September 2009	-	500,000
Other Key Management Personnel			
L A Colless	29 September 2009	-	500,000
K E Brown	29 September 2009	-	250,000

There were no amounts paid by the directors and key management personnel on the exercise of options during the year.

No amounts are unpaid on any shares issued on exercise of options.

E. Additional information – (audited)

Shares issued on the exercise of options

There were no ordinary shares of Alkane Resources Ltd issued during the year ended 31 December 2010 on the exercise of options.

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

Key Management Personnel

Other than the Executive Director and Company Secretaries, there were no other key management personnel during the financial year.



INSURANCE OF OFFICERS AND AUDITORS

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

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

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

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

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

CORPORATE GOVERNANCE

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

AUDIT INDEPENDENCE AND NON-AUDIT SERVICES

Auditors' Independence -Section 307C

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

"Dear Sirs,

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 31 December 2010 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)
Rothsay Chartered Accountants"
Dated 18 March 2011



Non-Audit Services

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

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

	Consolidated	
	2010	2009
	\$	\$
The following amounts were paid to the auditors		
<i>Auditor's remuneration</i>		
- auditing the accounts	43,000	39,100
<i>Non-audit services</i>		
- taxation services	4,050	8,000

Signed in accordance with a resolution of the Directors.

D I Chalmers

Director

Dated at Perth this 18th day of March 2011



STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

		<i>Consolidated</i>	
		2010	2009
		\$	\$
	Note		
<i>Revenue from continuing operations</i>			
Rent received		26,190	29,783
Gains recognised from sale of investments		9,598,273	4,093,340
Gains recognised from sale of assets		1,000	-
Interest received or due and receivable from other corporations		326,011	227,063
Government grant		164,855	356,340
Other revenue		-	7,601
		10,116,329	4,714,127
<i>Expenses from continuing operations</i>			
Rent		(50,282)	(47,000)
Filing fees		(39,630)	(46,490)
Share Registry costs		(62,009)	(27,450)
Annual reports		(17,714)	(18,333)
Directors' corporate consulting		(425,882)	(386,513)
Administration and secretarial		(163,250)	(108,738)
Consulting		(46,350)	-
Motor vehicle expenses		(32,317)	(32,168)
Employee costs		(41,272)	13,899
Legal fees		(9,904)	(4,333)
Public relations		(173,243)	(124,630)
Travel, entertainment & seminars		(80,067)	(52,897)
Insurances		(96,916)	(118,554)
Administration expenses		(40,959)	2,240
Audit fees	25	(43,000)	(39,100)
Auditor - other services		(4,050)	(8,000)
Share based remuneration	20	-	(2,805)
Depreciation		(48,565)	(48,777)
Peak Hill minesite maintenance and rehabilitation		(129,947)	(129,661)
Exploration costs		(760,182)	(1,219,547)
Provision for quoted shares		(240)	1,860
Provision for employee entitlements		(61,471)	(19,526)
		(2,327,250)	(2,416,523)
<i>Profit/(Loss) before income tax</i>		7,789,079	2,297,604
Income tax attributable	2	-	-
<i>Profit/(Loss) for the year</i>		7,789,079	2,297,604
<i>Other comprehensive income</i>			
Changes in the fair value of quoted shares		-	8,695,000
<i>Total comprehensive income/(loss) for the year</i>		7,789,079	10,992,604
Comprehensive income/(loss) is attributable to:			
<i>Members of Alkane Resources Ltd</i>		7,789,079	10,992,659
Minority interests		-	(55)
		7,789,079	10,992,604
Profit/(Loss) is attributable to:			
Members of Alkane Resources Ltd	17	7,789,079	2,297,659
Minority interests		-	(55)
		7,789,079	2,297,604
Earnings per share for loss attributable to the ordinary equity holders of the Company	22	\$0.03	\$0.01

The accompanying notes form part of these financial statements.



STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

		<i>Consolidated</i>	
	Note	2010 \$	2009 \$
<i>Current Assets</i>			
Cash and cash equivalent	18	4,554,725	4,831,721
Receivables	3	437,755	220,633
Available for sale financial assets	4	2,760	5,928,000
Other financial assets		-	-
Total Current Assets		4,995,240	10,980,354
<i>Non-Current Assets</i>			
Property, plant & equipment	5	2,070,910	1,084,476
Capitalised exploration and evaluation expenditure	6	39,266,274	31,993,916
Other financial assets	7	511,647	495,821
Total Non-Current Assets		41,848,831	33,574,213
Total Assets		46,844,071	44,554,567
<i>Current Liabilities</i>			
Payables	8	996,620	637,667
Provisions	9	93,873	72,171
Total Current Liabilities		1,090,493	709,838
<i>Non-Current Liabilities</i>			
Provisions	9	185,568	145,798
Total Non-Current Liabilities		185,568	145,798
Total Liabilities		1,276,061	855,636
Net Assets		45,568,010	43,698,931
<i>Equity</i>			
Contributed equity	10	62,079,683	62,079,683
Reserves	12	-	5,920,000
Accumulated losses	12	(16,511,673)	(24,418,320)
Total parent entity interest		45,568,010	43,581,363
Outside equity interests in controlled entities		-	117,568
Total Equity		45,568,010	43,698,931

The accompanying notes form part of these financial statements.



STATEMENT OF CHANGES IN EQUITY

Consolidated	Notes	Attributable to members of Alkane Resources Ltd				Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Minority Interest \$'000	
Balance at 1 January 2009		60,122	2,348	(26,716)	117	35,871
Total comprehensive income/ (loss) for the year		-	8,695	2,298	-	10,993
Contributions of equity, net of transaction costs	10	1,308	-	-	-	1,308
Realisation of reserve on disposal of asset	12A	-	(4,476)	-	-	(4,476)
Share options expenses	12A	-	3	-	-	3
Shares issued on exercise of options	12A	646	(646)	-	-	-
Transfer from share options reserve	12A	4	(4)	-	-	-
Balance at 31 December 2009		62,080	5,920	(24,418)	117	43,699

Consolidated	Notes	Attributable to members of Alkane Resources Ltd				Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Minority Interest \$'000	
Balance at 1 January 2010		62,080	5,920	(24,418)	117	43,699
Total comprehensive income/ (loss) for the year		-	-	7,789	-	7,789
Contributions of equity, net of transaction costs	10	-	-	-	-	-
Realisation of reserve on disposal of asset	12A	-	(5,920)	-	-	(5,920)
Transfer of minority interest on deconsolidation of subsidiary				117	(117)	
Share options expenses	12A	-	-	-	-	-
Shares issued on exercise of options	12A	-	-	-	-	-
Transfer from share options reserve	12A	-	-	-	-	-
Balance at 31 December 2010		62,080	-	(16,512)	-	45,568

The accompanying notes form part of these financial statements



STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

		<i>Consolidated</i>	
	Note	2010 \$	2009 \$
<i>Cash Flows from Operating Activities</i>			
Rent received		28,809	29,783
Payments to suppliers (inclusive of goods and services tax)		(1,491,256)	(589,692)
Other income		-	7,601
Interest received		263,105	227,063
<i>Net cash from operating activities</i>	19	(1,199,342)	(325,245)
<i>Cash Flows from Investing Activities</i>			
Purchase of plant, property & equipment		(1,034,998)	(118,205)
Proceeds from sale of plant, property & equipment		1,000	
Proceeds from sale of investment securities		9,603,273	4,097,340
Payments for loans to subsidiaries		-	-
Proceeds from security deposits		-	-
Payments for security deposits		(15,825)	(26,128)
Exploration expenditure		(7,795,959)	(8,784,638)
<i>Net cash provided for investing activities</i>		757,491	(4,831,631)
<i>Cash Flows from Financing Activities</i>			
Proceeds from issue of shares and options		-	1,318,199
Cost of share issues		-	(9,945)
Receipts from Commercial Ready Grant		164,855	356,340
<i>Net cash flow from financing activities</i>		164,855	1,664,594
<i>Net increase (decrease) in cash and cash equivalents</i>		(276,996)	(3,492,282)
Cash and cash equivalents at the beginning of the financial year		4,831,721	8,324,003
<i>Cash and cash equivalents at the end of the financial year</i>	18	4,554,725	4,831,721

The accompanying notes form part of these financial statements



1. Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Alkane Resources Ltd ("the Company") as an individual entity and the consolidated entity consisting of Alkane Resources Ltd and its subsidiaries.

a) Basis of preparation

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

All amounts are presented in Australian dollars, unless otherwise noted.

Separate financial statements for Alkane Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Alkane Resources Limited as an individual entity is included in Note 16.

Compliance with IFRSs

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

Historical cost convention

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

b) Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Alkane Resources Ltd ("the Company") as at 31 December 2010 and the results of all controlled entities for the year then ended. Control is achieved where the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities. Alkane Resources Ltd and its controlled entities are referred to in this financial report as the Group or the consolidated entity.

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

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

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

c) Income Tax

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

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

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

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

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



d) Goods and Services Tax (GST)

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

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

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

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

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

e) Segment Reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance.

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Intersegment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value on market interest rates.

Segment assets

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

Segment liabilities

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

f) Revenue Recognition

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

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

g) Government Grants

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

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

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



1. Statement of Accounting Policies (Continued)

h) Royalties and other mining imposts

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

i) Cash and cash equivalents

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

j) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the Statement of Comprehensive Income.

k) Fair Value Estimation

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

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

l) Plant and Equipment

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

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

m) Investments and Other Financial Assets

The Group classifies its investments in the following categories: loan and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset and is determined at the time of initial recognition. This designation is re-evaluated at each reporting date.

n) Impairment of assets

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

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

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



o) Trade Payables

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

p) Provisions

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

q) Leases

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

r) Joint ventures

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

s) Exploration expenditure

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

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

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

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

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

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



1. Statement of Accounting Policies (Continued)

t) Restoration, rehabilitation and environment expenditure

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

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

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

u) Employee benefits

Wages and salaries, annual leave and sick leave

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

Long service leave

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

Superannuation

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

Redundancy

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

v) Contributed Equity

Ordinary shares are classified as equity.

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

w) Earnings per share

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

x) Share based payments

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

y) Comparative figures

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

z) New accounting standards and interpretations

The Group has adopted the following new and amended Australian Accounting Standards and interpretations as of 1 January 2010:



NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

Affected Standard	Nature of Change to Accounting Policy	Application *
Revised AASB 127 : Consolidated and Separate Financial Statements	Changes in ownership interests by the Group, while maintaining control, are now recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 July 2009
AASB 3 : Business Combinations	Incorporates the following changes: <ul style="list-style-type: none"> - The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss - Transaction costs, other than share and debt issue costs, will be expensed as incurred - Any pre-existing interest in an acquire will be measured at fair value with gain or loss recognised in profit or loss; and - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquire, on a transaction-by-transaction basis. AASB 3 will be applied prospectively and therefore there will be no impact on prior periods.	1 July 2009
AASB 1048 Interpretation of Standards	This standard is updated to provide a mandatory requirement to comply with Interpretations in the Australian context. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 July 2009
AASB 2008-6 Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 July 2009
AASB 2008-8 Amendments to Australian Accounting Standards – Eligible Hedged Items	Clarifies the hedge accounting provisions of AASB 139 Financial Instruments: Recognition and Measurement to address: <ul style="list-style-type: none"> - Inflation in a financial hedged item (inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument) - A one-sided risk in a hedged item – the amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective. 	1 July 2009
AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Process	Affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 July 2009
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Affects various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments are not expected to have a significant impact on the financial statements for the year ending 30 December 2010.	1 January 2010
AASB 2009-8 Amendment to Australian Accounting Standards – Group Cash Settled Share-based Payments	Amends AASB 2 Share Based Payments to clarify the accounting for group cash-settled share-based payment transactions. An entity receiving goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	

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



1. Statement of Accounting Policies (Continued)

The following Applicable Australian Accounting Standards have been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ended 31 December 2010. The Group has not been able to fully assess the impact of these revised standards:

- AASB 124 Related Party Disclosures
- AASB 9 Financial Instruments
- AASB 7 Financial Instruments: Disclosures
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-02 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.
- AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues
- AASB 2009-14 Amendment to Australian Accounting Interpretation – Prepayments of a Minimum Funding Requirement
- AASB 2010-3 Amendment to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2010-4 Further amendments to Australian Accounting Standards arising from the Annual Improvements
- AASB 2010-5 Amendments to Australian Accounting Standards
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets

aa) Critical accounting estimates & judgements

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

i) Significant accounting judgements

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

Capitalisation of exploration and evaluation expenditure

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

ii) Significant accounting estimates and assumptions

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

Impairment of capitalised exploration and evaluation expenditure

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

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

As at 31 December 2010, the carrying value of exploration expenditure of the group is \$39,266,274.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	2010	2009
	\$	\$
2. Income Tax Expense		
a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	7,789,089	2,297,604
Prima facie tax payable at 30 %	2,336,727	689,281
Add: tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Share based payments	-	842
Adjustments in respect of deferred income tax of previous years	9,304,728	7,085,130
Tax losses not brought to account as a deferred tax	(11,641,455)	(7,775,253)
c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised		
Potential tax benefit at 30%	13,386,431	13,559,960
d) Unrecognised temporary differences		
Deferred tax liabilities – capitalised exploration	(11,551,828)	(9,232,311)
Deferred tax assets – accrued expenses	-	-
Deferred tax assets – provisions	83,832	65,391
Deferred tax assets – revenue tax losses	13,386,500	13,559,960
Total deferred tax asset not recognised	13,470,332	13,625,351
Net deferred tax asset	1,918,504	4,393,040
Deferred tax assets and liabilities have been offset as they relate to income taxes levied by the same taxation authority and there is a legally recognised right to set off.		
3. Trade and other Receivables (Current)		
Debtors including GST refunds	437,755	220,633
4. Available for sale financial assets (Current)		
Quoted Shares - fair value less than cost		
Opening balance at 1 January	3,000	1,140
Net gain (loss) from fair value adjustment	(240)	1,860
Closing balance at 31 December	2,760	3,000
Quoted Shares - fair value greater than cost		
Opening balance at 1 January	5,925,000	1,710,000
Net gain (loss) from fair value adjustment	-	8,695,000
Disposals during the year	(5,925,000)	(4,480,000)
Closing balance at 31 December	-	5,925,000
Closing balance at 31 December	2,760	5,928,000



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	2010	2009
	\$	\$
5. Property, Plant And Equipment		
Property, plant & equipment - at cost	2,391,844	1,356,845
Less: Accumulated depreciation	(320,934)	(272,369)
	2,070,910	1,084,476
Reconciliation of carrying amount		
Opening balance at 1 January	1,084,476	1,015,048
Plant & equipment acquired during year	1,034,999	118,205
Depreciation during year	(48,565)	(48,777)
Closing balance at 31 December	2,070,910	1,084,476
6. Exploration and Development Expenditure (Non-Current)		
Accumulated contributions to other ongoing exploration projects at fair value		
Opening balance at 1 January	31,993,916	25,035,091
Expenditure during the period	8,032,540	8,178,372
Net gain (loss) from fair value adjustment	(760,182)	(1,219,547)
Closing balance at 31 December	39,266,274	31,993,916
<p>The recovery of the costs of exploration and evaluation expenditure carried forward is dependent on the successful development and commercial exploitation of each area of interest, or otherwise by the sale at an amount not less than the carrying value.</p> <p>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.</p>		
7. Other financial assets (Non-Current)		
Interest bearing security deposits (not available for use)	511,647	495,821
	511,647	495,821
8. Trade and other Payables (Current Liabilities)		
Trade creditors	996,620	637,667
	996,620	637,667
9. Provisions (Current Liabilities)		
Provision for annual leave	93,873	72,171
Provisions (Non-current Liabilities)		
Provision for redundancy/long service leave	185,568	145,798



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Number	Parent entity	
		2010	2009
		\$	\$
10. Contributed Equity			
Share Capital			
Ordinary shares – Fully paid	249,028,158	62,079,683	249,028,158 62,079,683
Movements in ordinary share capital			
Opening balance at 1 January	249,028,158	63,215,372	244,634,162 61,247,362
Exercise of options	-	-	4,393,996 1,318,199
Share option reserve transferred	-	-	- 649,811
Closing balance at 31 December	249,028,158	63,215,372	249,028,158 63,215,372
Less: Costs of Issues	-	(1,135,689)	- (1,135,689)
<i>As per Statement of Financial Position</i>	249,028,158	62,079,683	249,028,158 62,079,683

Terms and conditions of ordinary shares:

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors, and are fully entitled to any proceeds of liquidations.

11. Options on Issue

	Parent entity	
	2010	2009
	Number	Number
Exercisable at 30 cents each vesting 19 Apr 2008 expiring 30 Sep 2009	-	-
<i>Movements in these options:</i>		
Balance at beginning of year	-	4,400,000
Issued during year	-	-
Exercised during the year	-	(4,393,996)
Expired during the year	-	(6,004)
Balance 31 December	-	-
Exercisable at 30 cents each vesting 31 Aug 2009 expiring 30 Sep 2009	-	-
<i>Movements in these options:</i>		
Balance at beginning of year	-	-
Issued during year	-	50,000
Expired during the year	-	(50,000)
Balance 31 December	-	-



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

	Consolidated	
	2010	2009
	\$	\$
12. Reserves and Accumulated Losses		
<i>(A) RESERVES</i>		
Share-based payments reserve	-	-
Movement:		
Balance 1 January	-	647,006
Employee Option expense	-	2,805
Issue of shares to employees	-	(646,141)
Expired options	-	(3,670)
Balance 31 December	-	-
<i>Share Investment Revaluation Reserve</i>	-	5,920,000
Movement:		
Balance 1 January	5,920,000	1,701,000
Revaluation	-	8,695,000
Realised on disposal of shares	(5,920,000)	(4,476,000)
Balance 31 December	-	5,920,000
<i>(B) ACCUMULATED LOSSES</i>		
Balance 1 January	(24,418,320)	(26,715,979)
Loss for the year after related income tax expense	7,789,079	2,297,659
Minority interest transferred on deconsolidation	117,568	-
Balance 31 December	(16,511,673)	(24,418,320)
<i>(C) NATURE AND PURPOSE OF RESERVES</i>		
<p>The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised and equity-settled benefits issued in settlement of share issue costs and part consideration, in lieu of cash payment, for acquisition of mineral interests.</p> <p>The available-for-sale investments revaluation reserve is used to recognise the fair value of available-for-sale financial assets.</p>		

13. Key Management Personnel Disclosure

A) Directors

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

Alkane Resources Ltd

John S F Dunlop, D Ian Chalmers, Ian J Gandel, Anthony D Lethlean and Ian R Cornelius (to 14 July 2010)

Subsidiaries

LFB Resources NL, Kiwi Australian Resources Pty Ltd, , Australian Zirconia Ltd

D Ian Chalmers, Lindsay A Colless, Ian J Gandel (appointed 21 July 2010) and Ian R Cornelius (to 14 July 2010)

Australasian Geo-Data Pty Ltd (subsidiary to November 2010)

D Ian Chalmers, Lindsay A Colless, and Ian R Cornelius (to 14 July 2010)

Skyray Properties Ltd (BVI)

G Menzies

Executives during year

D Ian Chalmers (Managing Director)



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

13. Key Management Personnel Disclosure (continued)

B) Other key management personnel

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

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

C) Transactions with Key Management Personnel

- a) technical services and geological consulting fees of \$583,581 paid or due and payable to Multi Metal Consultants Pty Ltd, a company in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates. During the year four technical and support staff, including Mr Chalmers, were employed by Multi Metal Consultants to carry out work programs for the Company on an as needs basis.
- b) consulting fees of \$6,525 paid or due and payable to John S Dunlop & Associates Pty Ltd for services provided in the normal course of business and at normal commercial rates.
- c) administration, accounting and company secretarial fees of \$162,000 paid or due and payable to a company in which Mr Colless and Miss Brown have substantial financial interests for services provided in the normal course of business and at normal commercial rates.

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

D) Outstanding Balances

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

Current payables

a) A D Lethlean	\$5,208
b) I J Gandel	\$5,417
c) J S Dunlop	\$7,705
d) D I Chalmers	\$74,057
e) L A Colless & K E Brown	\$18,830

E) Equity instrument disclosures relating to key management personnel

The interests of Directors and key management personnel and their respective related entities in shares and share options at the end of the financial period are as follows:

Name	Shares held directly	Shares held indirectly	Options held directly	Options held indirectly
A D Lethlean	-	393,996	-	-
D I Chalmers	4,536	1,967,148	-	-
I J Gandel	-	70,911,964	-	-
J S Dunlop	-	760,000	-	-
L A Colless	24,405	500,000 ^(a)	-	-
K E Brown	58,324	300,000 ^(a)	-	-
L A Colless & K E Brown in joint interests	-	284,849 ^(b)	-	-

(a) Held by MAS Superfund and other related parties for the benefit of the respective key management personnel

(b) Held in the name of Mineral Administration Services Pty Ltd, a company in which Mr. Colless and Miss Brown are directors and shareholders.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

13. Key Management Personnel Disclosure (Continued)

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

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

(2) Options

Directors				
A D Lethlean	-	-	-	-
D I Chalmers	-	-	-	-
I J Gandel	-	-	-	-
J S Dunlop	-	-	-	-
Key Management Personnel				
L A Colless	-	-	-	-
K E Brown	-	-	-	-
Total Options	-	-	-	-

2009

Name	Balance at the start of the financial period	Changes during the year	Issued during the year on exercise of options	Balance at the end of the financial period
<i>(1) Shares</i>				
Directors				
I R Cornelius	2,693,059	-	500,000	3,193,059
A D Lethlean	212,000	(312,000)	493,996	393,996
D I Chalmers	1,471,684	-	500,000	1,971,684
I J Gandel	70,411,964	-	500,000	70,911,964
J S Dunlop	500,000	(210,000)	500,000	790,000
Key Management Personnel				
L A Colless	526,405	(400,000)	500,000	626,405
K E Brown	308,324	(200,000)	250,000	358,324
L A Colless & K E Brown in joint interests	284,849	-	-	284,849
Total shares	76,408,285	(1,122,000)	3,243,996	78,530,281



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

13. Key Management Personnel Disclosure (continued)

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

2009

Name	Balance at the start of the financial period	Changes during the year	Issued during the year on exercise of options	Balance at the end of the financial period
<i>(2) Options</i>				
Directors				
I R Cornelius	500,000	(500,000)	-	-
A D Lethlean	500,000	(500,000)	-	-
D I Chalmers	500,000	(500,000)	-	-
I J Gandel	500,000	(500,000)	-	-
J S Dunlop	500,000	(500,000)	-	-
Key Management Personnel				
L A Colless	500,000	(500,000)	-	-
K E Brown	250,000	(250,000)	-	-
Total Options	3,250,000	(3,250,000)	-	-

* Expired during the year

F) Key management personnel compensation

	2010 \$	2009 \$
Short term employee benefits	898,605	893,168
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	898,605	893,168

The Company has taken advantage of the relief provided by Corporations Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the Directors' Report. The relevant information can be found in sections A-C of the remuneration report within the Directors' Report.

G) Related party transactions

Other than, the transactions disclosed above there are no other transactions between related parties that require disclosure.

14. Segmental Information

The Group operates predominately in one geographical location. The operations of the Group consist of mining and exploration for gold and other minerals within Australia. Management have determined the operating segment based on the reports reviewed by the managing director.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

			Consolidated	
			2010	2009
			\$	\$
15. Related Party Transactions				
Directors (current)				
Type of transaction	Related party Directors	Terms and conditions		
Management consulting Director's retainer	J S F Dunlop	Normal commercial	6,525	1,200
Geological consulting, including geological and technical support staff Director's retainer	D I Chalmers	Normal commercial	85,260	69,960
Management consulting Director's retainer	I R Cornelius	Normal commercial	583,581	606,014
Director's consulting Director's retainer	I J Gandel	Normal commercial	70,950	66,000
Consulting Directors' retainer	A D Lethlean	Normal commercial	33,962	50,000
			60,000	50,000
			62,492	49,992
			Parent Entity	
			2010	2009
			\$	\$
16. Parent Entity Disclosures				
Financial Position				
Assets				
	Current assets		4,973,776	10,931,437
	Non-current assets		41,762,584	33,194,981
	Total assets		46,736,360	44,126,418
Liabilities				
	Current liabilities		1,000,782	281,689
	Non-current liabilities		185,568	145,798
	Total liabilities		1,186,350	427,487
Equity and Reserves				
	Issued capital		62,079,683	62,079,683
	Accumulated profits / (losses)		(16,529,673)	(24,300,752)
	Share valuation reserve		-	5,920,000
	Total equity		45,550,010	43,698,931
Financial Performance				
	Profit / (loss) for the year		7,771,079	2,297,604
	Other comprehensive income		-	8,695,000
	Total comprehensive income		7,771,079	10,992,604
Guarantees entered into by the Parent Entity				
			-	-
Contingent liabilities of the Parent Entity				
			-	-
Commitments for the acquisition of Property, Plant and Equipment by the Parent Entity				
			-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

17. Controlled Entities

Name	Inc	Class	Book value		Equity		Contribution to Group	
			2010	2009	2010	2009	2010	2009
			\$	\$	%	%	\$	\$
Australian Zirconia Ltd	WA	Ord	1	1	100	100	(65,438)	(728,089)
Skyray Properties Ltd	BVI	Ord	2,300,000	2,300,000	100	100	(6,174)	(8,847)
Kiwi Australian Resources Pty Ltd	NSW	Ord	-	-	100	100	(212)	(212)
LFB Resources NL	NSW	Ord	3,558,700	3,558,700	100	100	(22,287)	(19,218)
Australasian Geo-Data Pty Ltd	Qld	Ord	-	6,864	0	74	(181)	(157)
			5,858,701	5,865,565				
Contribution to Group Profit (Loss) after minorities							(94,292)	(756,523)
Parent –Alkane Resources Ltd							7,883,371	3,054,182
Profit (loss) for year – group							7,789,079	2,297,659
Loans to (from) subsidiaries			20,801,218	16,099,787				
Provision for loss			(9,139,178)	(9,038,666)				
Parent net investment in subsidiaries			17,520,741	12,926,686				

Consolidated
2010 **2009**
\$ **\$**

18. Reconciliation of Cash

Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank	4,291,080	4,579,130
Call deposits	263,645	252,591
	4,554,725	4,831,721

Cash at bank bears a weighted average interest rate of 3.29% (2009: 3.75%)

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

Operating Profit (Loss)	7,789,079	2,297,604
Non-cash fair value adjustments		
• Depreciation and amortisation	48,565	771,188
• Movements in Provisions	61,711	17,666
Share based payments	-	2,805
Grant received	(164,855)	(356,340)
Exploration	523,601	1,103,402
Gains recognised from sale of investments	(9,598,273)	(4,093,340)
Gains recognised from sale of assets	(1,000)	
Changes in net current assets and liabilities		
• Decrease (increase) in Trade and other receivables	(217,122)	535,756
• Decrease (increase) in Trade and other payables	358,952	(603,986)
Net cash provided for operating activities	(1,199,342)	(325,245)

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



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

20. Share-Based Payments

Set out below is a summary of the options granted during the financial period:

Consolidated and parent entity 2010

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the financial period	Exercised during the financial period	Expired during the financial period	Balance at end of the financial period	Vested and exercisable at end of financial period
			(Number)	(Number)			(Number)	(Number)
Director options		-	-	-	-	-	-	-
Company Secretary options		-	-	-	-	-	-	-
Employee/Consultants options		-	-	-	-	-	-	-
Weighted average exercise price			\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

Consolidated and parent entity 2009

Grant Date	Expiry date	Exercise price	Balance at the start of the year	Granted during the financial period	Exercised during the financial period	Expired during the financial period	Balance at end of the financial period	Vested and exercisable at end of financial period
			(Number)	(Number)			(Number)	(Number)
Director options								
19 April 2009	30 Sep 2010	\$0.30	2,500,000	-	(2,493,996)	(6,004)	-	-
Company Secretary options								
19 April 2009	30 Sep 2010	\$0.30	750,000	-	(750,000)	-	-	-
Employee/Consultants options								
19 April 2009	30 Sep 2010	\$0.30	1,150,000	-	(1,350,000)	(50,000)	-	-
31 Aug 2010	30 Sep 2010	\$0.30	-	50,000	(50,000)	-	-	-
Weighted average exercise price			\$0.30	\$0.30	\$0.30	\$0.30	\$0.30	\$0.30

Options granted carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share.

(A) Director option expense

No options were issued to the Directors during the financial year.

(B) Employee option expense

Employee share options have been granted to provide long-term incentive for senior employees to deliver long-term shareholder returns. Participation in employee share options is at the Board's discretion and no individual has a contractual right to participate in a plan or to receive any guaranteed benefits.

(C) Expenses arising from share-based payment transactions

Total expenses arising from share-based payments recognised during the financial period as employee benefits expense was:

	Consolidated	
	2010	2009
	\$	\$
Director benefits (share options)	-	-
Employee/Consultant benefits (share options)	-	2,805
	-	2,805



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

21. Subsequent Events

On 31 January 2011, wholly owned subsidiaries Tomingley Holdings Pty Ltd and Tomingley Gold Operations Pty Ltd were formed.

On 17 February 2011, 20 million shares were issued at \$1.05 per share completing a placement to raise additional funds for the Company's continuing activities.

On 24 February 2011, the Company's sponsored American Depository Receipts (ADRs) commenced quotation on the US OTC market's prestigious tier, OTCQX International.

No other matter or circumstance has arisen since 31 December 2010 that has or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial year subsequent to the financial year ended 31 December 2010.

22. Earnings per Share ("Eps")

	Consolidated	
	2010	2009
	\$	\$
(a) Basic profit per share		
Profit attributable to the ordinary equity holders of the Company	0.03	0.01
	2010	2010
	\$	\$
(b) Earnings used in calculating earnings per share		
Profit attributable to the ordinary equity holders of the Company	7,789,079	2,294,604
	2010	2010
	Number	Number
(c) The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	249,028,156	245,783,587
The diluted earnings per share is not materially different from the basic earnings per share.		

23. Commitments for Expenditure

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2011 amounts of approximately \$1,072,000 (2010 \$1,161,500) in respect of tenement lease rentals and exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in the normal course of operations. The estimated exploration and joint venture expenditure commitments for the ensuing year, but not recognised as a liability in the financial statements:

	Consolidated	
	2010	2009
	\$	\$
Within one year	1,072,000	1,161,500
Later than one year but less than five years	-	-
Later than five years	-	-
	1,072,000	1,161,500



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

24. Financial Risk Management

Overview:

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

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

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

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

(a) Credit risk:

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

- (i) Investments:

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

- (ii) Trade and other receivables:

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

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

Exposure to credit risk:

The carrying amount of the Group's financial assets represents the maximum credit exposure.

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

	Consolidated Carrying amount	
	2010	2009
	\$	\$
Cash and cash equivalents	4,554,725	4,831,721
Trade and other receivables	437,755	220,633
Other financial assets	2,760	5,928,000
Security deposits	511,647	495,821
Total exposure	5,506,887	11,476,175

An impairment loss of \$100,511 in respect of inter-group loans was recognised during the current year from a net asset analysis of the subsidiaries' positions.

Impairment losses:

None of the Company's other receivables are past due (2009: nil).

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

	Parent entity	
	2010	2009
	\$	\$
Balance at 1 January	(9,038,666)	(8,282,089)
Impairment loss/(write-back) recognised	(100,511)	(756,577)
Balance at 31 December	(9,139,177)	(9,038,666)



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

24. Financial Risk Management (continued)

Whilst the loans were not payable as at 31 December 2010, a provision for impairment based on the subsidiaries financial position was made. The balance of this provision may vary due to the performance of a subsidiary in a given year.

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

	2010	2009
	\$	\$
Balance at 1 January	5,816,186	1,595,326
Sold during the year	(5,920,000)	(4,476,000)
Impairment loss/(write-back) recognised	(240)	8,696,860
Balance at 31 December	(104,054)	5,816,186

(b) Liquidity risk:

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

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

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

	Weighted Average Effective Interest Rate %	Variable Interest \$	Fixed Maturity Date			Total \$
			Less than 1 year \$	1 to 2 years \$	Non-interest Bearing \$	
2010						
Financial assets						
Cash	5.57	4,541,824	-	-	12,901	4,554,725
Interest bearing deposits	5.05	501,647	-	-	10,000	511,647
Investments	-	-	-	-	2,760	2,760
Receivables	-	-	-	-	437,755	437,755
		5,043,471	-	-	463,416	5,506,887
Financial liabilities						
Accounts payable	-	-	-	-	(996,620)	(996,620)
		-	-	-	(996,620)	(996,620)



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

24. Financial Risk Management (continued)

	Weighted Average Effective Interest Rate %	Variable Interest \$	Fixed Maturity Date			Total \$
			Less than 1 year \$	1 to 2 years \$	Non-interest Bearing \$	
2009						
Financial assets						
Cash	3.35	4,815,865	-	-	15,856	4,831,721
Interest bearing deposits	3.29	485,821	-	-	10,000	495,821
Investments	-	-	-	-	5,928,000	5,928,000
Receivables	-	-	-	-	220,633	220,633
		5,301,686	-	-	6,174,489	11,476,175
Financial liabilities						
Accounts payable	-	-	-	-	(637,667)	(637,667)
		-	-	-	(637,667)	(637,667)

(c) Market Risk:

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

(i) Currency risk:

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

(ii) Price Risk

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

The table below summarises the impact of increases/decreases of the securities prices on the Group's and the Company's profit for the year and on equity. The analysis is based on the assumption that the price of securities increased/decreased by 80% (2009 – 80%) with all the other variables held constant.

Consolidated	Profit or loss		Equity	
	Increase \$	Decrease \$	Increase \$	Decrease \$
31 December 2010 – 80% change	-	-	2,208	(2,208)
31 December 2009 – 80% change	2,400	(2,400)	4,742,400	(4,742,400)

(iii) Interest rate risk:

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

	31 December 2010 \$	Consolidated Carrying Amount	31 December 2009 \$
Fixed rate instruments			
Financial assets	-		-
Variable rate instruments			
Financial assets	5,506,887		11,476,175



NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

24. Financial Risk Management (continued)

Fair value sensitivity analysis for fixed rate instruments:

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

Fair value sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

Consolidated	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2010				
Financial assets	55,069	(55,069)	55,069	(55,069)
31 December 2009				
Financial assets	114,762	(114,762)	114,762	(114,762)

Net Fair value

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

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

25. Auditors remuneration

Amount received or due and receivable by the auditor for:

a) Audit services

	Consolidated	
	2010	2009
	\$	\$
Audit and review of financial reports under the Corporations Act 2001	43,000	39,100
b) Non Audit services		
Income tax return preparation	4,050	8,000
Total remuneration of auditors	47,050	47,100

b) Non Audit services

Income tax return preparation
Total remuneration of auditors

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

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



DIRECTORS' DECLARATION

In the opinion of the Directors of Alkane Resources Ltd:

- a)** the financial statements and notes set out in preceding pages are in accordance with the Corporations Act 2001 including:
 - i)** giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 December 2010 and of their performance for the financial year ending on that date; and
 - ii)** complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements
- b)** there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable
- c)** the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

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

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

D I Chalmers

Director

Perth, 18 March 2011



ROTHSAY

We have audited the accompanying financial report of Alkane Resources Ltd (the Company") which comprises the statement of financial position as at 31 December 2010 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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



INDEPENDENT AUDIT REPORT TO THE
MEMBERS OF ALKANE RESOURCES LTD

Audit opinion

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

- a) (i) giving a true and fair view of the Company's and the group's financial position as at 31 December 2010 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Interpretations) and the Corporations Regulations 2001; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

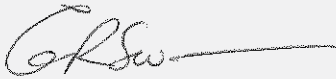
We have audited the remuneration report included in the Directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Alkane Resources Ltd for the year ended 31 December 2010 complies with section 300A of the Corporations Act 2001.



Rothsay



Graham Swan
Partner

Dated 18 March 2011



Approach to Corporate Governance

Alkane Resources Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Further information about the Company's corporate governance practices may be found on the Company's website at www.alkane.com.au, under the section marked "Corporate Governance".

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2011 financial year ("Reporting Period").

Board

Roles and responsibilities of the Board and Senior Executives

(Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to Senior Executives and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is available on the Company's website at www.alkane.com.au.

Skills, experience, expertise and period of office of each Director

(Recommendation: 2.6)

A profile of each director setting out their skills, experience, expertise and period of office is given in the Directors' Report.

The Directors seek to maintain a mixture of technical, operational and financial skills in considering the composition of the Board.

Director independence

(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board has a majority of Directors who are independent.

The Board underwent changes to its composition during the Reporting Period, due to non-executive Director Ian (Inky) Cornelius passing away in July 2010. Since then the independent directors of the Company have been John Dunlop, Anthony Lethlean and Ian Gandel (deemed by the Directors to be independent). Messrs Dunlop and Lethlean are independent as they are non-executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The Board considers Ian Gandel to be independent of management and the executive of the Company. Furthermore, Mr Gandel's interests as a major shareholder are considered to be in line with the interests of all other shareholders.



Ian Gandel is a “substantial shareholder” of the Company within the definition ascribed by the Corporations Act. Ian Gandel does not have any of the other relationships against which independence is measured (having regard to the Company’s materiality thresholds) as set out in Box 2.1 of the commentary that supplements the Principles & Recommendations. The materiality thresholds are set out below. The Board considers that Ian Gandel’s interest as a substantial shareholder is consistent with that of other shareholders and his shareholding does not cause potential for real conflict between the interests of Ian Gandel and the majority of the other shareholders of the Company (and therefore affect Ian Gandel’s ability to exercise unbiased judgement). To the contrary, the Board (in the absence of Ian Gandel) considers that he demonstrates and consistently makes decisions and takes actions that are in the best interests of the Company and its shareholders, and therefore considers him to be independent.

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company’s Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company’s rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The sole non-independent Director of the Company is David (Ian) Chalmers, who is the Managing Director.

The independent Chair of the Board is John Dunlop.

Independent professional advice

(Recommendation: 2.6)

To assist Directors with independent judgement, it is the Board’s policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re)Appointment of Directors

(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills and diversity that will best increase the Board’s effectiveness. Consideration is also given to the balance of independent Directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each Director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director’s appointment or three years following that Director’s last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one Director or a third of the total number of Directors must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic.

The Company’s Policy and Procedure for the Selection and (Re)Appointment of Directors is available on the Company’s website at www.alkane.com.au.



Board committees

Nomination Committee

(Recommendations: 2.4, 2.6)

The Company has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the Director with conflicting interests is not party to the relevant discussions.

The full Board, in its capacity as the Nomination Committee, held two meetings during the Reporting Period. The following table identifies those Directors who are members of the Nomination Committee and shows their attendance at Committee meetings:

Name	No. of meetings eligible to attend	No. of meetings attended
John Dunlop	2	2
Anthony Lethlean	2	2
Ian Gandel	2	1
David (Ian) Chalmers	2	2
Ian (Inky) Cornelius	1	1

To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter. The Company's Nomination Committee Charter is available on the Company's website at www.alkane.com.au.

Audit Committee

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Company has established an Audit Committee.

The Audit Committee is structured in compliance with Recommendation 4.2. It comprises three independent non-executive Directors (Messrs Dunlop, Lethlean and Gandel) and is chaired by Mr Lethlean who is not Chair of the Board.

The Company has adopted an Audit Committee Charter.

The Audit Committee held two meetings during the Reporting Period. The following table identifies those Directors who are members of the Audit Committee and shows their attendance at Committee meetings:

Name	No. of meetings eligible to attend	No. of meetings attended
Anthony Lethlean (Chair)	2	2
John Dunlop	2	2
Ian Gandel	2	2

Details of each of the Director's qualifications are set out in the Directors' Report.

While none of the Audit Committee members have financial qualifications, they all have extensive industry knowledge and are financially literate. Details of each of the Directors' qualifications are set out in the Directors' Report. Further, the Chief Financial Officer is available to assist the Audit Committee, if necessary. The Audit Committee Charter also provides that the Committee may seek explanations and additional information from the Company's external auditors, without management present, when required.



C O R P O R A T E G O V E R N A N C E S T A T E M E N T

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website at www.alkane.com.au.

Remuneration Committee

(Recommendations: 8.1, 8.2, 8.3, 8.4)

The full board considered those matters that would usually be the responsibility of a Remuneration Committee as this was considered the most appropriate arrangement at that time. On 10 December 2010 however, the Board formed a separate committee as recommended by the Principles & Recommendations. As was the practice of the full Board, the Remuneration Committee continues to apply the Remuneration Committee Charter adopted by the Board.

The Remuneration Committee is structured in accordance with Recommendation 8.2. It comprises three independent non-executive Directors (Messrs Dunlop, Lethlean and Gandel) and is chaired by Mr Dunlop.

The Remuneration Committee held one meeting during the Reporting Period. The following table identifies those Directors who were members of the Remuneration Committee during the Reporting Period and shows their attendance at Committee meetings:

Name	No. of meetings eligible to attend	No. of meetings attended
John Dunlop	1	1
Anthony Lethlean	1	1
Ian Gandel	1	0
David (Ian) Chalmers	1	1
Ian (Inky) Cornelius	0	0

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report. Non-executive Directors are remunerated at fixed rates which are in line with market rates (for comparable companies) for time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to the performance of the Company. The Board may, from time to time, consider issuing options to non-executive Directors, subject to obtaining the relevant shareholders approvals. Given the Company's size and stage of development at the present time, the Board believes this an effective means of attracting and retaining the highest calibre of professionals to the role whilst maintaining the Company's cash reserves. This policy is subject to annual review. Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options, performance rights or other equity based incentives granted at the discretion of the Board and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is available on the Company's website at www.alkane.com.au.

Performance evaluation

Senior executives

(Recommendations: 1.2, 1.3)

It is the responsibility of the Managing Director to manage and implement performance evaluations of senior executives and management personnel, reporting to the Remuneration Committee at least annually.



The current size and structure of the Company allows the Managing Director to conduct informal evaluations regularly. While the Company does not currently have senior executives on staff, open and regular communication with non-executive senior personnel allow the Managing Director to ensure that key performance indicators are identified and met, and provide feedback and guidance particularly where performance issues are evident. Individual performance may be more formally assessed in conjunction with a remuneration review approximately annually. As the Company grows, a more formal structure of performance evaluation is likely to be implemented.

During the Reporting Period there were no performance evaluations of senior executives (except for Company Secretaries), as the Company does not currently have any senior executives. However, the evaluation of both Company Secretaries took place in accordance with the disclosed process.

Board, its committees and individual directors

(Recommendations: 2.5, 2.6)

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

Performance evaluation of the Board is carried out by means of ongoing review by the Chairman with reference to the composition of the Board and its suitability to carry out the Company's objectives.

The Chairman may carry out the review by various means including, but not limited to:

- meeting with and interviewing each Board member;
- consultation with the full Board, in its capacity as the Nomination Committee;
- circulation of internal review tools such as formal questionnaires and reports; and
- outsourcing to independent specialist consultants.

The Chairman's review may include:

- assessing the skills, performance and contribution of individual members of the Board and senior management personnel;
- consideration of the performance of the Board as a whole and of its various committees;
- the awareness of Board members of their responsibilities and duties, and of corporate governance and compliance requirements;
- the awareness of Board members of the Company's goals and strategies;
- the understanding of Board members of the business/es the Company is operating and the trends and issues affecting the market/s in which it competes; and
- consideration of avenues for continuing improvement of Board functions and further development of its skill base.

The Chairman reports back to the Board in regard to his review at least annually.

The full Board, in its capacity as the Nomination Committee, is responsible for the evaluation of the Managing Director. Given the current size and structure of the Company, in addition to the process for general performance evaluation as outlined above, further performance evaluation may be carried out on an ongoing basis through open and regular communication between the Board, in its capacity as the Nomination Committee, and the Managing Director, to identify and achieve key performance indicators, to provide feedback, and to provide guidance and support where any issues may become evident.

During the Reporting Period an evaluation of the Board, its committees, and individual directors took place in accordance with the process disclosed.

Ethical and responsible decision making

Code of Conduct

(Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is available on the Company website at www.alkane.com.au.



Diversity

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

A summary of the Company’s Diversity Policy is available on the Company’s website at www.alkane.com.au.

The Board has not yet set measurable objectives for achieving gender diversity. The Directors are in the process of collecting information to enable them to set meaningful measurable objectives which are appropriate to the size of the Company and the operational and labour market circumstances it faces. The Company has not had a requirement to employ any new full time staff for three years and is committed to ensuring that all employees have an equal opportunity to participate in professional development programs and to developing its human resources.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	One out of 12 (8.3%)
Senior Executive positions	One out of two (50%)
Board	Nil out of four (0%)

Continuous Disclosure

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

A summary of the Company’s Policy on Continuous Disclosure and a summary of the Company’s Compliance Procedures are available on the Company’s website at www.alkane.com.au.

Shareholder Communication

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

A summary of the Company’s Shareholder Communication Policy is available on the Company’s website at www.alkane.com.au.

Risk Management

(Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company’s risk profile. Under the policy, the Board is responsible for approving the Company’s policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company’s material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company’s internal financial control systems and risk management systems. The Audit Committee reports to the Board in this regard at least twice per year.



In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board has formalised and documented the management of its material business risks. This system includes the preparation of a risk matrix by third party consultants in consultation with the Board and management to identify the Company's material business risks and risk management strategies for these risks. In addition, the process of management of material business risks is allocated to members of senior management. Risk is a standing item at each scheduled Board meeting and the risk matrix is reviewed quarterly.

The categories of risk reported on as part of the Company's systems and processes for managing material business risks include: market-related risk; financial reporting risk; operational risk, environmental risk, human capital risk; sustainability, occupational health and safety; economic cycle/marketing; reputational risk; political risk; strategic risk; technological risk; ethical conduct and legal and compliance risk.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

A summary of the Company's Risk Management Policy is available on the Company's website at www.alkane.com.au.



SHAREHOLDER INFORMATION

Share Holding at 18 March 2011 - ALK

(a) Distribution of Shareholders

Share holding			Number of Holders
			Fully paid ordinary shares
1	-	1,000	585
1,001	-	5,000	1,844
5,001	-	10,000	1,034
10,001	-	100,000	1,374
100,001	-	over	169
			5,006

(b) Unmarketable Parcels

There are 177 shareholders who hold less than a marketable parcel.

(c) Voting Rights

Voting rights are one vote per fully paid ordinary share

(d) Names of the substantial holders as disclosed in substantial holding notices:

Shareholder	Number of Shares
Abbotsleigh Pty Ltd	70,911,964

Top Twenty Shareholders at 18 March 2011

Shareholder	Number of Shares	% Issued Capital
Abbotsleigh Pty Ltd	70,911,964	26.36
JP Morgan Nominees Australia Limited <Cash Income A/C>	17,078,858	6.35
JP Morgan Nominees Australia Limited	15,828,853	5.88
HSBC Custody Nominees (Australia) Limited	13,755,756	5.11
National Nominees Limited	10,849,333	4.03
Penson Australia Nominees Pty Ltd <Argonaut Account>	10,563,201	3.93
Citicorp Nominees Pty Limited	5,114,219	1.90
Sydney Equities Pty Limited <Sydney Equities Superannuation Fund Account>	5,000,000	1.86
Funding Securities Pty Ltd <Colin J Ferguson S/F A/C>	3,965,000	1.47
HSBC Custody Nominees (Australia) Limited – A/C 3	2,885,000	1.07
NEFCO Nominees Pty Ltd	2,307,000	0.86
RBC Dexia Investor Services Australia Nominees Pty Limited <BK Cust A/C>	2,077,698	0.77
Leefab Pty Ltd	1,853,384	0.69
Ms Kathryn Lewis	1,815,050	0.67
UBS Wealth Management Australia Nominees Pty Ltd	1,762,794	0.66
Berne No 132 Nominees Pty Ltd <152417 A/C>	1,500,000	0.56
Lampsac Pty Ltd <Central Coast Superfund A/C>	1,418,025	0.53
Spacebull Pty Limited	1,409,000	0.52
RM Dimond & Associates Pty Ltd <The Dimond Super Fund A/C>	1,384,000	0.51
Mr Raymond John Prince <RJ Prince Retire Fund A/C>	1,100,000	0.41
		172,579,135
		64.14

Restricted Securities

As at the date of this report, there were no securities subject to restriction under the Listing Rules of ASX Limited.

On Market Buy-back

As at the date of this report, there was no current on market buy-back



T E N E M E N T S C H E D U L E

Tenement Number	Project Name	Alkane Interest %	Other interests
GL 5884 (Act 1904)	Peak Hill, NSW	100]
ML 6036	Peak Hill, NSW	100]
ML 6042	Peak Hill, NSW	100]
ML 6277	Peak Hill, NSW	100]
ML 6310	Peak Hill, NSW	100	] Alkane group 100%
ML 6389	Peak Hill, NSW	100]
ML 6406	Peak Hill, NSW	100]
ML 1351	Peak Hill, NSW	100]
ML 1364	Peak Hill, NSW	100]
MLA 79 Or	Peak Hill, NSW	100]
ML 1479	Peak Hill, NSW	100]
EL 6319	Peak Hill, NSW	100]
EL 5548	Dubbo, NSW	100]
EL 7631	Dubbo NSW	100	] Alkane group 100%
MLA 183 Or	Dubbo, NSW	100]
EL 6320	Wellington, NSW	100	] Alkane group 100%
EL 5675	Tomingley, NSW	100]
EL 5830	Tomingley, NSW	100]
EL 5942	Tomingley, NSW	100	] Alkane group 100%
EL 6085	Tomingley, NSW	100]
EL 7139	Tomingley, NSW	100]
EL 7020	Cudal, NSW	100	] Alkane group 100%
EL 4022	Bodangora, NSW	100	] Alkane group 100%
EL 7235	Calula, NSW	100	] Alkane group 100%
EL 7383	Calula, NSW	100]
EL 7456	Diamond Creek, NSW	100	] Alkane group 100%
EL 7583	Diamond Creek, NSW	100]
EL 5760	Moorilda, NSW	49]
EL 6111	Moorilda, NSW	49	] Alkane group 49%
EL 6025	Orange-Molong, NSW	49	] Newmont Australia Ltd 51%, earning up to 75%
EL 6091	Orange-Molong, NSW	49]
E 46/522	Nullagine, WA	0	] Alkane group retains 60% interest
E 46/523	Nullagine, WA	0	] in diamond potential
E 46/524	Nullagine, WA	0]
M 36/303	Miranda Well, WA	25	] Xstrata Nickel holds 75%, Alkane diluting
M 36/329	McDonough, WA	25	] Xstrata Nickel holds 75%, Alkane diluting
M 36/330	McDonough, WA	25]
E 36/622	Leinster Downs, WA	25]
P 36/1601	Leinster Downs, WA	25]
P 36/1602	Leinster Downs, WA	25	] Xstrata Nickel holds 75%, Alkane diluting
P 36/1603	Leinster Downs, WA	25]
P 36/1604	Leinster Downs, WA	25]
P 36/1605	Leinster Downs, WA	25]

