



ALKANE EXPLORATION LTD

A.B.N 35 000 689 216

ASX ANNOUNCEMENT and MEDIA RELEASE 11 April 2006

\$3.29M AUSINDUSTRY GRANT TO ADVANCE THE DUBBO ZIRCONIA PROJECT

- **Alkane has received an offer of \$3.29 million Commercial Ready Grant from AusIndustry, a division of the Federal Department of Industry, Tourism and Resources.**
- **The funds will be allocated to process optimisation, and construction and operation of the Demonstration Pilot Plant for the Dubbo Zirconia Project in New South Wales.**
- **The Dubbo Zirconia Project is one of the world's largest deposits of zirconium with major credits of niobium, tantalum, hafnium and yttrium, metals with expanding uses in the electronic, catalyst, ceramic, nuclear and specialty alloy industries.**
- **The Grant will enable the Company to proceed with the Demonstration Pilot Plant while simultaneously advancing development of the Wyoming gold deposit and other exploration initiatives in New South Wales.**

Alkane has received an offer for a **Commercial Ready Grant** totalling **\$3.29 million** over a twenty seven month period. The Grant is offered on a dollar for dollar basis and will enable process optimisation, and construction and operation of the Demonstration Pilot Plant for the Dubbo Zirconia Project. **Commercial Ready** is an initiative of **AusIndustry**, a division of the Australian Government's Department of Industry, Tourism and Resources.

Commercial Ready (CR) is a competitive, merit-based grant program supporting innovation and its commercialisation. **AusIndustry** offers industry a single entry point to competitive grants for early-stage commercialisation activities, research and development (R&D) with a high commercial potential, and proof-of-concept activities. CR is the Australian Government's flagship innovation grants product, providing around \$200 million a year to small and medium sized enterprises, between 2004 and 2011. It is designed to increase Australia's sustainable economic growth by stimulating innovation in businesses.

Federal Industry Minister Ian Macfarlane congratulated Alkane on being offered the Australian Government Commercial Ready Grant and highlighted the Project's potential when it reaches the commercialisation stage.

"Zirconium has significant application in a number of sectors and this Project, when successful, will provide a source of this metal for a number of years to come as well as generate jobs in the industry", he said.

"Through our \$1 billion Commercial Ready program, the Australian Government is pleased to support innovative companies, like Alkane, in commercialising world-class R and D."

The **Dubbo Zirconia Project (DZP)** is located 30 kilometres south of the large regional centre of Dubbo, approximately 400 kilometres north-west of Sydney in the Central West Region of New South Wales. The DZP is based upon the large in-ground resource of the metals zirconium, hafnium, niobium, tantalum, yttrium, uranium and rare earth elements. The Project is held by Australian Zirconia Ltd, a wholly owned subsidiary of Alkane.

Identified Mineral Resources as at 31 December 2005 were:

MEASURED RESOURCES (0 - 55m, 340mRL)	35.7 million tonnes	1.96% ZrO ₂ , 0.04% HfO ₂ , 0.46% Nb ₂ O ₅ , 0.03% Ta ₂ O ₅ , 0.14% Y ₂ O ₃ , 0.014% U ₃ O ₈ , 0.745% Total REO
INFERRED RESOURCES (55 - 100m, 295mRL)	37.5 million tonnes	1.96% ZrO ₂ , 0.04% HfO ₂ , 0.46% Nb ₂ O ₅ , 0.03% Ta ₂ O ₅ , 0.14% Y ₂ O ₃ , 0.014% U ₃ O ₈ , 0.745% Total REO
TOTAL	73.2 million tonnes	1.96% ZrO ₂ , 0.04% HfO ₂ , 0.46% Nb ₂ O ₅ , 0.03% Ta ₂ O ₅ , 0.14% Y ₂ O ₃ , 0.014% U ₃ O ₈ , 0.745% Total REO

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.

Process

Flow sheet development for the recovery of value metals from the deposit has taken place over many years, but in 1999 a concerted effort was initiated to push the project towards commercial development, and a feasibility study was initiated under the management of industry consultants TZ Minerals International Pty Ltd.

A number of process routes have been tested but sulphuric acid leach, solvent extraction recovery and refining produced results that were considered to have economic potential. In 2002 the process was trialled at mini-pilot plant level (1:8,000 scale), and several products recovered were distributed internationally for assessment and comment. As a result another program of process optimisation was recommended and a larger Demonstration Pilot Plant (DPP) planned to fully evaluate the viability of the complete flow sheet. The DPP (1:400 scale) would facilitate the final confirmation of that flow sheet, further product refinement and importantly, enable distribution of adequate amounts of sample products to potential end users for their evaluation.

Development

The base case for the development of the project is to process around 200,000 tonnes of ore per year to recover a suite of zirconium chemicals, zirconia (ZrO₂), a niobium-tantalum concentrate and a yttrium-rare earth concentrate. Existing world production of the metal suite is derived from a number of separate sources and the DZP will be a unique combination that is capable of providing a variety of products into rapidly expanding electronics, ceramics, catalyst and specialty glass and metal alloy markets.

Market

Zircon (ZrSiO₂) currently provides around 95% of the source material for the downstream zirconium chemicals and zirconia businesses. With zircon supply generally being governed by the demand for titanium products, a predicted shortfall is already becoming apparent and is reflected in an escalating zircon price, the DZP assumes strategic significance as a supplier into the zirconium chemicals, zirconia and possibly zirconium and hafnium metal markets. Zirconium and hafnium metal have significant application in the nuclear power industry as protective cladding and control rods in reactor vessels.

Niobium is largely used in HSLA steels but also has a developing demand in special alloys for turbine blades and other applications.

Uranium

With the increased interest in uranium motivated by limited supply and increasing prices, uranium has now been included as a component of the resource inventory for the deposit. Production of uranium remains prohibited in New South Wales but the current flow sheet requires removal of uranium from the zirconium process stream otherwise it contaminates the end products. The Project would benefit from the flow on effect of less residue management costs and increased revenue from the sale of a uranium product.

Potential

The size of the resource would enable the project to be scaled up from the base case depending upon market development and could provide a source of metals over hundreds of years in a location with very favourable infrastructure and legislative framework, at both a State and Federal level.

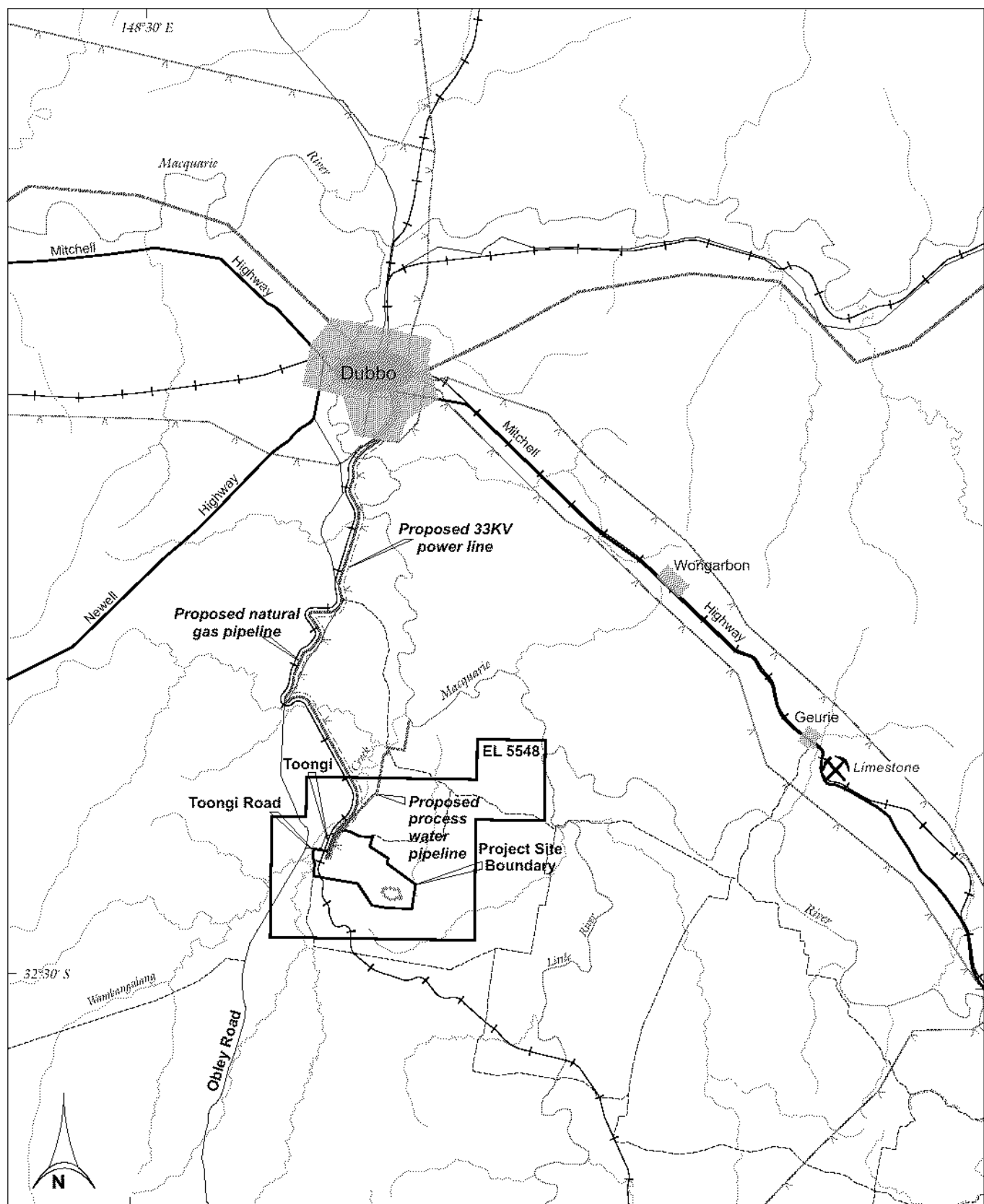
The **CR Grant** recognises the innovative nature and commercial potential of the DZP and will provide an important catalyst for the Project. It will also enable Alkane to advance the Project simultaneously with other developments such as the Wyoming gold deposit and exploration initiatives in the Central West of New South Wales.

Timing

It is anticipated that the process work could be started by the end of June, with the construction of the DPP to commence before the end of the year. This plant is scheduled to be operated for at least six months but could be extended to twelve months depending upon any process issues and the amount of sample products required to be distributed to potential consumers. The feasibility database will be progressively updated to enable a development decision to be advised by the middle of 2008.

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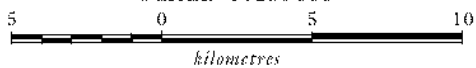
Mr D I Chalmers, FAusIMM, FAIG, (director of the Company) has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code 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.



LEGEND

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|-----------------------------------|-------------------|
| — Roads | ○ Deposit outline |
| —+— Railway lines | — River |
| —K— 66 KVA Power line | — Creek |
| — Gas pipe line | |
| — Proposed process water pipeline | |

SCALE 1:250 000



Australian Zirconia Ltd

(A subsidiary of Alkane Exploration Ltd)

Dubbo Zirconia Project
New South Wales

Infrastructure

