Attention ASX Company Announcements Platform
Lodgement of Open Briefing®

ALKANE EXPLORATION LTD
A.C.N. 000 689 216

open briefing

corporatefile.com.au

Alkane Exploration Ltd
129 Edward Street
Perth, Western Australia, 6000

Date of lodgement: 18-Jan-2006

Title: Open Briefing®. Alkane. MD on Project Objectives

Record of interview:

corporatefile.com.au
Alkane Exploration Ltd (ASX code – ALK) is progressing four main mining projects and also has a 17% stake in the ASX-listed BC Iron Limited. Can you outline the broad objectives for the projects in 2007?

MD Ian Chalmers
Initially this year will be very much focussed on the Tomingley Gold Project. We'd like to get that feasibility study completed before mid year and get to a point where we can make a decision to go forward. It is still our lead project in terms of timing and realising value.

The Dubbo Zirconia Project is a large, valuable project and it remains very important for Alkane. This year, we should have the demonstration plant up and running and that will be a huge step forward.

The Galwadgere copper project at Wellington is certainly one of our priorities, but it may not get as much of our attention as those other two projects. It is certainly something that is still of great interest and value, and we hope to advance it this year.

Then there is the joint venture at Orange with Newmont. Last year's discovery at McPhillamys was significant and although we're the operators, Newmont are the managers so we're governed by their approach to the project. It's a very interesting area for us and we see great potential there.

corporatefile.com.au
The Definitive Feasibility Study (DFS) at the Tomingley Gold Project (TGP) in the Central West of New South Wales was delayed because of difficulty in accessing drill rigs in NSW, but you are now back drilling. Is a one mtpa open pit operation still the preferred development concept? What is the DFS timetable? What are the objectives of the current drill program?

MD Ian Chalmers
A one mtpa project is still the preferred option and if that size of project works it will set up the wider Tomingley project area for further development including an underground operation at Wyoming. Even a 750,000 tonne a year operation could give us a base on which we can build a quality, long term project. As we've stated publicly several times now, to support a one mtpa operation, we need to discover another one million tonnes of open pit ore close to Wyoming. This doesn't necessarily need to be in one deposit.

Despite the delays in securing a drill rig last year, and we will need to do further drilling in the next few months, we're optimistic that we can get to a decision point on project go-ahead before mid-year.

The drilling program before Christmas was designed to at least start that process of finding more ore. We've recently been drilling at Caloma and two other targets at Smiths and Black Snake. The Caloma results are particularly interesting because it is literally a stone's throw away from the two proposed Wyoming pits, although we're still coming to grips with the geology. If we can prove up even half a million tonnes of mineable ore at Caloma it could add a good deal of value to the overall development concept. Black Snake is at a much earlier stage and it's about 20km down the highway. It's an interesting area, but I suspect we'll probably give that less priority. Smiths is much the same. It looks good on the surface and is closer to Wyoming but we're yet to get a decent intersection there.

corporatefile.com.au
In the second half of 2006, Alkane announced encouraging results from its McPhillamys prospect within the Newmont joint ventured Moorilda Project in the Central West of New South Wales. Can you reflect on the results before Christmas and what they mean for Alkane? What are the next objectives for exploration at McPhillamys?

MD Ian Chalmers
We thought last year's results from McPhillamys were outstanding with several of the intersections having quite spectacular widths and grades, and it already looks to have a resource potential greater than Wyoming. Equally as important, the discovery demonstrated a new style of mineralisation for the region. That opens up new areas of potential for finding gold and gold/base metal deposits.

Newmont's preference for 2007 is to look at additional target areas around McPhillamys rather than specifically drilling out the existing McPhillamys deposit.

corporatefile.com.au
Why has Newmont chosen to pursue earlier-stage targets? Which are the better ones?

MD Ian Chalmers
Newmont have told us they really want to add to the regional resource inventory and build up a substantial potential resource base before drilling out the main zone of McPhillamys. We have a number of geological and geophysical targets, sites of historic workings and areas that have shown positive geochemical signatures.

The better early-stage exploration targets around McPhillamys include extensions to McPhillamys itself. We have really only just scratched the surface, but have drill holes stretching over about 600 metres north-south. The alteration zone and the low grade mineralised envelope remains open to the north and south of McPhillamys and this is a pretty high priority target.

Last year we also drilled 6 holes into McPhillamys East, which is about 1km to the east of the main zone. We didn't hit ore grades, but it certainly demonstrated the McPhillamys style alteration and mineralisation. That also remains a priority area.

Then we also have targets like the old Confidence Mine which is about 5km east of McPhillamys. Work there in the 1980's generated good gold intersections such as 7 metres at 2.85g/t gold and, again, it's an interesting area that's had little work.

Looking at the whole region, we have a 20km structural corridor with scattered historical gold workings running down the centre of the project. The exploration effort into this area is minimal with the most serious being prospecting back in the 1880's and 1890's.

We also have the Moorilda Complex which is about 15km south of McPhillamys. It's more of a Cadia Ridgeway-style monzonite intrusive complex. One of our early holes there gave us 19 metres at 1.23 g/t gold and 0.2% copper. There are a lot of genuine targets in the Moorilda project area which have had minimal work.

corporatefile.com.au
What is the program and budget for further evaluation of the Galwadgere copper deposit?

MD Ian Chalmers
We haven't set the budget for Galwadgere yet because we haven't determined our commitments for our other projects. We think the logical next step is to do more geophysics to see if it indicates that the mineralisation is likely to continue at depth and also to check some of the other outcropping zones nearby like Christies, which has good surface geochemistry. We'll see whether or not these areas could double or triple the current resource. Certainly this is a project that we plan to get to as soon as practical.

corporatefile.com.au
Can you recap the testwork results so far at the Dubbo Zirconia Project and how they compare with expectations?

MD Ian Chalmers
It's progressing well. The most critical thing is that we're starting to understand the front end of the flow sheet processes which are important in reducing acid consumption and improving metal recovery. Those two components are very important to the project economics. Much of the data is still being compiled and we don't yet have any clear-cut conclusions. The work so far has certainly been very encouraging and we're hopeful that it's leading the project in the right direction.

corporatefile.com.au
When do you expect the demonstration plant to begin operating? What are the broad objectives of the demonstration plant campaign?

MD Ian Chalmers
We've started work with ANSTO to procure components for the Demonstration Pilot Plant (DPP). Hopefully that will all start to come together in the next 2-3 months with a target start-up date for the demonstration plant before mid year.

The two key goals of the DPP are to demonstrate that the flow sheet should work in a scaled up commercial plant and, perhaps more importantly, that it will produce quality product for distribution to potential customers. In 2002, we took 100 gram product packets around the world, but all the end users asked that we give them 100kg samples for serious testing. The demonstration plant is designed to produce several tonnes of the various products.

corporatefile.com.au
BC Iron successfully floated in December 2006. What is the potential value for Alkane from its shareholding?

MD Ian Chalmers
Our shareholding in BC Iron adds about $6.5 million to Alkane's balance sheet although I don't think the market has really factored its value in the Alkane share price. Our view is that, hopefully over the next 1-2 years, BC Iron will prove up a substantial iron ore resource which should then be reflected in the Alkane bottom line.

corporatefile.com.au
The spin-off of Alkane's iron ore assets into BC Iron has been successful with the share price moving up from the IPO price of 25 cents per share to as high as 94 cents and is currently around 75 cents. Alkane has a diverse range of mining projects. Given the success of the BC Iron spin-off, are further changes in the ownership structure of your assets on the agenda?

MD Ian Chalmers
We've always believed in a multi-commodity approach to exploration and development. We like to have a pipeline of projects at various stages of

development because that provides a hedge against fluctuations in commodity prices. We would be reluctant to do further spin-offs unless there were really sound reasons to do so - such as with BC Iron which acquired our interests in a very different commodity and location to our main focus.

Alkane's focus remains in the Central West of NSW and our projects are all within 150km of each other. We feel it's possible that, over the next 3-4 years, Alkane can get 2, 3 or perhaps 4 operations producing in that region. We don't feel inclined to spin anything out, perhaps other than possibly the Dubbo Zirconia Project once the feasibility has been completed. A spin-off might make sense for a project as unique as Dubbo as it could help fund the development at the time.

corporatefile.com.au
Thank you Ian.

For further information on Alkane please call Ian Chalmers on (08) 9328 9411 or email ichalmers@alkane.com.au

To read other Open Briefings, or to receive future Open Briefings by email, please visit www.corporatefile.com.au