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Alkane Resources Ltd (ASX code – ALK) has just announced a fully underwritten pro rata one (1) for five (5) non-renounceable entitlement issue of approximately 40 million new ordinary shares at \$0.32 per New Share to raise up to around A\$12.3 million net of costs. Can you explain the priorities in advancing each of your major projects?

MD Ian Chalmers

The two major projects are the Tomingley Gold Project (TGP) and the Dubbo Zirconia Project (DZP). These have been our focus now for some time even though we have other promising projects such as McPhillamys and Galwadgere. The TGP and the DZP are in the feasibility study stage and we expect that stage to be completed at the TGP over the next 12 to 18 months at a cost of around \$3 million. The DZP will require around \$4 million of Alkane's own money to complete the feasibility study, in addition to the federal government Commercial Ready grant. This is a little more than we intended at the DZP because we've expanded the project scope by looking more closely at the rare earth production component. Due to strong demand, the rare earth contribution to revenue has become much more significant, despite strength in

all the markets for DZP's products, and is now expected to account for as much as 35% of revenue, up from 10% previously. It really adds to the value of the project more than originally anticipated.

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Alkane recently reported exploration results from Caloma within the TGP that confirmed multiple gold mineralised zones. Can you explain how the recent drilling has extended the identified areas of gold mineralised zones?

MD Ian Chalmers

Prior to the recent drill program, we had identified what we described as the core or central zone at Caloma containing a number of mineralised structures within a north-south strike of about 300 metres.

That recent exploration drilling has extended the central zone by another 200 to 300 metres to the north, within the total Caloma host porphyry of around a kilometre. This means that this zone is now 500-600 metres long and it is possible that over time we may demonstrate that the whole kilometre contains economic mineralisation.

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In an announcement to ASX on 29 August 2007, you stated that "drilling at the Caloma prospect has identified a potential of 120,000 to 190,000 ounces of gold." Roughly how does this area compare with the total area of gold mineralised zones now identified?

MD Ian Chalmers

That drilling and scoping study really did focus on the original central zone of around 300 metres. We reported that we estimated it contained around 1.5-2 million tonnes of 2.5-3g/t of gold in that zone, but only to a depth of about 100 metres. The central zone is now nearly double that length and although we can't say at this stage that it will double that potential amount of gold, it certainly shows that there is a greater potential than the 120,000 to 190,000 ounces of gold we estimated back in August. And, as I said, most of the drilling at Caloma has only been to a depth of 100 metres.

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Can you explain the importance of the recent exploration success at Caloma for the overall TGP?

MD Ian Chalmers

It's very important and we've been very pleased with the results so far. As we've previously stated, to make the TGP a good project we needed at least another 1 million tonnes of Wyoming-type open pit grade of about 2-2.2g/t. The scoping study at Caloma has revealed that there could be about 2 million tonnes at 3g/t. That is double the tonnage, but more importantly the grade of 3g/t or +3g/t starts to make Caloma look like a very interesting deposit.

Caloma may potentially become the start-up pit whereby the first two years of mining would produce up to 100,000 ounces of gold per annum. As Caloma

gets bigger it will extend the mine life and reduce the operating costs because of its higher grade. That means a much larger cash flow and investment return, and a quicker capital pay back. So Caloma actually has the potential to make a very dramatic impact on the overall economics of the project.

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A 10,000 metre RC resource drilling program to follow up that last program has commenced at Caloma. What are the objectives of that program? When do you expect to define a JORC resource?

MD Ian Chalmers

There are multiple mineralised structures at Caloma, both north-south and east-west. It does appear at this stage that the east-west structures are higher grade, but the multiple structures make it a complex drill out and we believe that 10,000 metres of drilling is required to get a JORC-compliant resource as the basis for the feasibility study.

Unfortunately we have only one drill rig at this stage and that will push the resource statement out to March 2008. We are trying very hard to get a second rig.

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What additional drilling will you carry out on Caloma? What is the potential to further extend the areas of gold mineralised zones?

MD Ian Chalmers

We're already planning to do around 2,500 metres of diamond core drilling. That includes geotechnical work around the possible pit margins and to generate samples for metallurgical testing. However, it is also to extend the structures to depth and to understand more about the three dimensional geometry. It is a fairly complex ore body, so we need to drill core holes to help understand the orientation of those mineralised systems at depth.

The two deeper core holes we completed a couple of months ago showed that the structures persist at depth. If the top section of the central zone at Caloma, down to 100 metres, contains around say 200,000 ounces then there's a good chance that, by extending it down to 200 or 300 metres, it could contain as much as 400,000 ounces or even 500,000 ounces. And that doesn't even allow for the fact that the central zone has doubled along strike. That size of deposit would make it as big as the Wyoming One deposit which, at around 550,000 ounces, is the largest deposit we've identified at the TGP to date.

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What is the status of the ongoing Definitive Feasibility Study at the TGP and the timetable?

MD Ian Chalmers

We've certainly started the work, building on the considerable database that we have from our earlier studies and the operation of our nearby Peak Hill gold mine. We've recently appointed Perth-based consultants Mintrex, which are

part of a well known engineering company Holtfretters, to manage the Feasibility Study. They've begun to compile all of our existing data to see what else is needed. They will then start the next phase including metallurgical work and process design for the plant.

The first task though is to complete the Caloma drill out and compile a resource statement so that we can then design the pit and put together a mine schedule. Mid next year is the target to complete the Feasibility Study overall.

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Alkane also recently completed reconnaissance drilling in the immediate area of the McPhillamys discovery which is part of the Moorilda Project within the ODEJV with Newmont Australia. Where was the drilling in relation to the core mineralisation? What is your revised understanding of the geology of the project?

MD Ian Chalmers

Last year, we identified a 500 metre long mineralised zone which we call the McPhillamys deposit. That wasn't closed off, either to the north or the south, and probably not east or west either from the information we've seen. The latest reconnaissance drilling stepped out from that initial area and we hit ore grade mineralisation about 300 metres to the north and about 1.5 kilometres to the south. We can't say at this stage whether the mineralised area is continuous because there are big spaces between the drill holes, but it's interesting that the mineralisation in the new areas is the same style as at the original McPhillamys deposit. We're now looking at a target mineralised zone close to 3 kilometres long.

We haven't revised our geological concept at this stage, other than we just keep getting more and more encouraged the step-out drilling we do.

Alkane has always had a very positive view of McPhillamys. It's certainly a big mineralised system. The more we can push it out to the north or the south and the more parallel zones we can find just adds to the overall long term potential. It's like all exploration, unless you get negative step-out drill results, you get more and more enthusiastic about the size potential of the project as time goes on.

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What is the forward plan with McPhillamys? What evidence is there of the mineralisation extending beyond the areas already defined? Does Newmont share your enthusiasm for the project?

MD Ian Chalmers

Regionally, we have good evidence that there are probably many other potential mineralised zones to the south. Some of those zones were partially tested in 2002, but there are still a lot of gaps and a lot of areas that warrant testing.

To the north, our database is nowhere near as good, but looking at the geology there are several kilometres of potential target zones.

McPhillamys is a very promising prospect and it's shaping as a substantial mineralised system, but it requires a lot more work. We have a joint venture meeting with Newmont in December to plan the program for 2008.

We can't talk about Newmont's enthusiasm or otherwise for the project, other than to say that they're showing a commitment to the project by continuing to spend significant exploration dollars.

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Thank you Ian.

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

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