



ASX ANNOUNCEMENT 26 OCTOBER 2011

ALKANE SIGNS MOU FOR DZP ENTIRE NIOBIUM PRODUCTION

➤ DUBBO ZIRCONIA PROJECT (DZP) - Fourth MOU

- Alkane Resources Ltd has signed a Memorandum of Understanding with a European company to produce and market ferro-niobium using niobium concentrate from the DZP.
- The parties will enter into a joint venture to use that company's proprietary technology to process DZP niobium concentrate at a facility in Australia (or other agreed location) to produce ferro-niobium (FeNb).
- The joint venture expects to produce over 3,000 tonnes of FeNb from 100% of the niobium produced from the expanded 1 million tonnes per annum development scenario of the DZP.
- At current prices, annual production of 3,000 tonnes of FeNb will generate revenue of approximately US\$95 million which is approximately 22% of total anticipated annual project revenue.
- Alkane considers signing of this MOU virtually guarantees that the DZP will go direct to the 1 million tpa scenario.
- Output committed by current MOU's for 1Mtpa operation with annual income estimated at US\$260M are:

	Zirconium	Niobium	LREE	YHREE
100%	Estimated to be 39% of total revenue	Estimated to be 22% of total revenue	Anticipated to be 21% of total rev	Anticipated to be 18% of total rev
75%				
50%				
25%				
0%				

- Negotiations are continuing with a number of parties expressing interest to sign MOUs for the heavy rare earth concentrate and the light rare earth concentrate.
- The Project remains a significant and strategic source of zirconium and heavy rare earths.

Corporate Profile

Alkane Board

J S F Dunlop (Chairman)
D I Chalmers (Managing Director)
A D Lethlean (Director)
I J Gandel (Director)
L A Colless (Joint Secretary)
K E Brown (Joint Secretary)

Contact

Ian Chalmers
Managing Director
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12 month share price range

A\$0.65 – A\$2.73

Market Cap 25 Oct 2011

~A\$313 million

ASX Code: ALK

269 million shares

OTCQX Code: ANLKY

ADR ratio 1:10

30 September 2011 Cash

Cash ~A \$13.2 million

No debt

Senior Management

Terry Ransted – Chief Geologist
Mike Sutherland – GM NSW
Tony Wright – Commercial Manager
Alister MacDonald – DZP Marketing

Media Relations

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Alkane Resources Ltd continues to make significant steps forward in the development of the Dubbo Zirconia Project (DZP) through the signing of a non-binding Memorandum of Understanding (MOU) with a leading European company that specialises in the production of advanced materials through its chemical and metallurgical expertise. Alkane has signed the MOU on behalf of its wholly owned subsidiary, Australian Zirconia Ltd (AZL), and it is a condition of the MOU that the company's name remains confidential due to commercial sensitivities.

The MOU will provide the framework for a joint venture that will use that company's proprietary technology to process DZP niobium concentrate at a facility in Australia (or other agreed location) to produce ferro-niobium (FeNb) and will undertake a marketing study of the business, identify potential customers and off-take agreements, determine production quantity and production costs and the economics generally of FeNb production.

The company, which operates globally, develops and manufactures ferro alloys for the steel industry, powders for the carbide industry and other special products for a variety of applications.

Niobium is used to form alloys which are very resistant to high temperature and highly corrosive conditions, and it also has particular electrical conductivity properties which make it suitable for use as a capacitor material in electronic circuits and as a superconductor.

The global steel industry is the main driver for niobium consumption and about 80% of all niobium produced is used in the manufacture of high strength low alloy steels (HSLA). The niobium is added as ferro-niobium (FeNb) which typically contains ~65-70% niobium. About 75% of HSLA steel is used for structural work (bridge steel, high pressure pipelines) followed by automotive use where the steel can provide weight savings of 10% in a standard vehicle.

Production of FeNb from the DZP at the 1 Mtpa operation is expected to produce about 3,000tpa FeNb. The revenue from this product sales is anticipated to be approximately US\$95Mpa, which is about 22% of the estimated total project sales revenue of US\$432Mpa.

Alkane believes that the signing of this MOU is another major milestone for the development of the Dubbo Zirconia Project, leading to production in 2014.

Alkane is continuing efforts to finalise other MOU's which will secure markets for the heavy rare earth concentrate and the light rare earth concentrate.

As documented in the ASX announcement of 19 September 2011, the Project has demonstrated robust financial returns. While resources identified to date will permit the project to produce for over 100 years, the feasibility study estimated an EBITDA of A\$6 billion and an NPV of A\$1.2 billion based on an initial 20 year mine life. The DZP remains a significant and strategic source of zirconium and heavy rare earths.

Competent Person

Unless otherwise advised, the information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D 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 a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Chalmers consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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.



BACKGROUND

Alkane is a multi commodity explorer and miner with its operations focused in the **Central West** of **New South Wales**, centred about 400 kilometres northwest of Sydney. Over several years, including experience in developing the Peak Hill Gold Mine, Alkane has built a substantial resource base and is proceeding towards several developments.

The **Dubbo Zirconia Project** is based upon a world class resource of the metals zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements. Over several years Alkane has developed a flow sheet which can recover a variety of products which have expanding applications in electronics, ceramics, catalysts, special alloys and glasses, fuel cells, special batteries and permanent magnets, nuclear power and as environmental drying agents. A very positive definitive feasibility study was completed in September 2011 (ASX announcement 19 Sept 2011) which included the construction and operation of a Demonstration Pilot Plant, indication commercial production could be achieved in 2014.

The **Tomingley Gold Project** currently has a **660,000 ounce gold resource** within the **Wyoming and Caloma deposits** (full details are in the 2008 Annual Report and the ASX announcements of 2 October and 16 December 2009). A feasibility study for the development of the project with potential 50,000 to 60,000 ounce per annum production was completed in late 2010 and development financing options are well advanced.

Near **Orange**, the Company has a joint venture (**ODEJV**) with Newmont, one of the world's largest gold miners, which resulted in the discovery in 2006 of a significant gold deposit at **McPhillamys** within the **Moorilda Project**. An initial resource of Indicated plus Inferred resources containing **2.96 million ounces of gold and 60,000 tonnes of copper** has been defined (full details ASX announcement of 5 July 2010). Newmont is proceeding to complete a Bankable Feasibility Study for the development of the deposit.

Elsewhere within the region, at Galwadgere within the Wellington Project, Alkane has defined a 2 million tonne 1.00% copper Indicated Resource (details 2005 Annual Report) which is being reviewed for its development potential. Several other advanced exploration projects with encouraging drill intercepts and early exploration targets have been identified at other locations.

In **Western Australia** the Company holds a diluting 21% residual interest in a nickel sulphide joint venture with **Xstrata Nickel (Jubilee)** near **Leinster**.





Mineral Resource and Ore Reserve Statement October 2011

Dubbo Zirconia Project – Mineral Resources

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.

Dubbo Zirconia Project – Ore Reserves

Toongi Deposit	Tonnage (Mt)	ZrO ₂ (%)	HfO ₂ (%)	Nb ₂ O ₅ (%)	Ta ₂ O ₅ (%)	Y ₂ O ₃ (%)	REO (%)
Proved	8.07	1.91	0.04	0.46	0.03	0.14	0.75

These Ore Reserves are based upon information compiled by Mr Terry Ransted MAusIMM (Alkane Chief Geologist) 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. The reserves were calculated at a nominal 1.0% ZrO₂ cut off using costs derived from vendor quotes and revenue documented within this report. 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. ASX 19 Aug 2011

Tomingley Gold Project – Mineral Resources

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		
Top Cut 2.5x2.5x5.0m model	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Gold (koz)
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.

Tomingley Gold Project – Ore Reserves

DEPOSIT	PROVED		PROBABLE		TOTAL		
	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Ounces (minable)
Wyoming One	1,700,000	1.6	200,000	1.3	1,900,000	1.6	94,500
Wyoming Three	500,000	1.6	0	0.0	500,000	1.6	28,100
Caloma	1,100,000	2.3	100,000	1.7	1,200,000	2.2	86,500
Total	3,300,000	1.8	300,000	1.5	3,600,000	1.8	209,100

These Ore Reserves are based upon information compiled under the guidance of Mr Dean Basile MAusIMM (Mining One 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. The Reserves and Resources are estimated at an effective A\$1,540 per ounce gold price. Dean Basile consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Peak Hill Gold Mine – Mineral Resources

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		
0.5g/t gold cut off	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	k oz
Proprietary			9,440,000	1.35	1,830,000	0.98	11,270,000	1.29	467.4
3.0g/t gold cut off	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	k oz
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

Wellington – Galwagere – Mineral Resources

DEPOSIT	MEASURED		INDICATED		
0.5% Cu cut off	Tonnage (t)	Grade (% Cu)	Grade (g/t)	Tonnage (t)	Grade (% Cu)
Galwagere	-	-	-	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

Moorilda – McPhillamys (ODEJV) – Mineral Resources

DEPOSIT	INDICATED			INFERRED			TOTAL				
McPhillamys	Tonnage (t)	Grade (g/t)	% Cu	Tonnage (t)	Grade (g/t)	% Cu	Tonnage (t)	Grade (g/t)	% Cu	k oz gold	tonnes copper
0.3g/t Au cut-off											
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

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.