ASX and MEDIA RELEASE

27 July 2015

Quarterly Report to 30 June 2015

Tomingley Gold Operations (TGO)

- **TGO gold production was steady during the quarter, within full year guidance at 69,612 ounces. Revenue totalled A$101.9 million from sale of 70,734 ounces**
- **Total operating costs for the year were higher than anticipated at A$1,249/ounce**
- **Production summary for the quarter:**
  - **Gold production 14,128 ounces (15,412 ounces recovered)**
  - **Site costs were A$1,506/ounce and total cash operating costs (AISC) of A$1,700/ounce, reflecting the ramp up in waste stripping for the new open cut at Wyoming One and the lift to the RSF (residue storage facility).**
  - **Gold sales 14,500 ounces for revenue of A$21.4 million**
  - **Gold revenues A$21.4 million at an average price of A$1,478/ounce**
  - **Gold hedge at 30 June 2015 of 24,000 ounces at average forward price of A$1,577/ounce**
- **Cash flow for the quarter after site operating expenses and development expenditure was negative A$0.5M and positive $23.7M for the 2015 financial year**

Dubbo Zirconia Project (DZP)

- **The NSW Planning Assessment Commission gave final development approval for the Project on 28 May. This significant milestone for the project enables it to move ahead with applications for the Environmental Protection Licence (EPL) and Mining Lease and to progress into development**
- **FEED pre-construction work has been completed by international engineering company Hatch on primary design with tender responses from vendors providing revised capital costs. Further analyses incorporating vendor feedback and the review of revenue streams will provide a bankable standard document within the next 2-3 months**
- **The conceptual hafnium recovery process will be trialled at ANSTO in September quarter**
- **Major marketing effort in US and Europe for hafnium, rare earths and zirconium continuing**

Corporate

- **The Group's cash position fell by A$1.3 million to A$14.8 million, excluding bullion at hand (A$4.8M). The Group has no debt**

CONTACT : IAN CHALMERS, MANAGING DIRECTOR, ALKANE RESOURCES LTD, TEL +61 8 9227 5677
INVESTORS : NATALIE CHAPMAN, CORPORATE COMMUNICATIONS MANAGER, TEL +61 418 642 556
MEDIA : HILL KNOWLTON STRATEGIES, CONTACT: IAN WESTBROOK, TEL +61 2 9286 1225 OR +61 407 958 137

Ground Floor, 89 Burswood Road, Burswood WA 6100, AUSTRALIA (PO Box 4384, Victoria Park WA 6979, AUSTRALIA)
Telephone: +61 8 9227 5677 Facsimile: +61 8 9227 8178
www.alkane.com.au mail@alkane.com.au

DUBBO ZIRCONIA PROJECT (DZP) – zirconium, hafnium, niobium, yttrium, rare earth elements

Australian Zirconia Ltd (AZL) 100%

The Dubbo Zirconia Project (DZP) is located 25 kilometres south of the large regional centre of Dubbo in the Central West Region of New South Wales**.** The DZP is based upon large in-ground resources of the metals **zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements.** Over many years the Company has developed a flow sheet consisting of sulphuric acid leach followed by solvent extraction recovery and refining to produce several products, including trialling the process at demonstration pilot plant scale.

Environmental Impact Statement (EIS)

The NSW Planning Assessment Commission announced the final development approval for the Project on 28 May. This is a significant milestone for the project, enabling Australian Zirconia Limited (AZL), a wholly owned subsidiary of Alkane Resources Ltd, to move ahead with applications for the Environmental Protection Licence (EPL), Mining Lease and other minor permits. These applications will be submitted within the current quarter, with approval expected 2-3 months after submission.

Process and Product Development

Process and product development continued for all DZP product streams in Australia and overseas to optimise recoveries and product qualities.

Zirconium chemicals development continued with further refinement of the process to produce reactive grades of zirconium basic carbonate for automotive catalysts, and other higher value zirconium chemicals applications.

The Company continued to develop a process pathway to recover hafnium as an additional product for the DZP. The process pathway has been developed to piloting level by ANSTO. This piloting is expected to occur in the coming 2-3 months. The developed hafnium process has little impact on the existing flow sheet, with hafnium extracted from the zirconium refining circuit. Preliminary capital and operating estimates of the inclusion of this circuit into the final plant design suggest its incorporation will add significant value to the project.

Engineering

Hatch have completed the FEED to deliver capital and operating cost estimates to a target ±10% accuracy and a detailed schedule for the Project, building on the work of the Definitive Feasibility Study (DFS) for the DZP as previously released (ASX announcement 11 April 2013).

Several significant process improvements have been included in the design. These include improvements for water management and waste treatment as well as a revamped rare earth circuit to improve recoveries. The tender responses for supply of plant and equipment have been received and reviewed. Further analysis incorporating vendor feedback and the review of revenue streams will provide a bankable standard document within the next 2-3 months. Notification of successful tenderers to the market will not occur until actual contracts are awarded.

The current operating cost estimates indicate an overall cost to produce a kilogram of any product would be in the range US$7 to $8/kg.

Hafnium mini pilot plant at ANSTO

Marketing

The Company was active during the June quarter with follow up visits and meetings covering all of the product outputs from the DZP. Meetings were held in Asia, Europe and North America, involving process development, tolling, product off take and financing discussions. In addition, discussions in Australia took place with several leading international companies interested in product offtake and working with Alkane to maximize value adding of process streams. The importance of the DZP as a new source of critical metals and oxides to diversify supply away from existing sources continues to gain recognition and support from companies and governments seeking to reduce dependence on current supply sources, particularly from China.

Alkane and its representatives presented or attended several international conferences during the quarter concerning rare earths, zirconium and hafnium materials. Conferences included the Metal Pages Rare Earths conference in Las Vegas, the Minor Metals Trade Association conference in Toronto, and the Ruidow Mineral Sands conference in China.

The ability of the DZP to provide long term sustainable security of supply of a diverse range of over 20 critical metals and oxides is one of the strong themes which is being increasingly recognized both in Australia and overseas. The diversity of products and markets also provides stability of revenue streams over a broad base as different markets cycle through ups and downs over time.

Zirconium

Further enhancements of the zirconium recovery process and resulting zirconium chemicals and zirconium dioxide product streams have been achieved during the quarter. Improvements include a reduction of impurities in zirconium products and greater flexibility in the production of different downstream value added products. This should enable most of the common zirconium chemicals and chemical zirconia products, which are based on zirconium oxychloride (ZOC), to be substantially replaced by DZP products. Replacement of fused zirconia materials based on the desilication of zircon is also anticipated.

Downstream zirconium chemical and zirconia (ZrO_2) prices are driven by the zircon price which remains static at around US$1,000 to $1,300 per tonne. Chinese export prices for zirconium oxychloride (ZOC) have been quoted at US$4,000 - $4,500/t ($ZrO_2$ content); fused zirconia at US$4,000 -$6,000/t; stabilised fused zirconia at US$6,200 - $7,200/t; and zirconium basic carbonate (ZBC) at US$5,250 - $5,750/t ($ZrO_2$ content).

Hafnium

The process developed for hafnium removal from the zirconium stream will be tested on a mini-pilot plant at ANSTO to confirm the viability of hafnium recovery. Hafnium is extracted from the zirconium refining circuit without impacting the existing flowsheet, with the added benefit that further impurities are now removed from the zirconium stream during the process.

This is a major milestone for hafnium recovery and opens the way for a major new product stream from the DZP for world markets. This will also create a significant new source of revenue for the DZP, with combined zirconium and hafnium revenues having the potential to account for up to 50% of total DZP revenues as hafnium demand increases over time. A conservative recovery rate of 50% could result in 200 tpa of additional hafnium supply and position the DZP as the major world supplier of this critical metal.

Spot hafnium metal prices have almost doubled in the last three years to US$1,200/kg, while long term prices have also increased to US$600-800/kg.

Rare Earth Elements

As a response to the WTO ruling on Chinese Export Taxes and Quotas, early 2015 the Chinese MIIT and MLR announced that the current taxes and royalties would be replaced by an ad valorem tax on REE mining of 22-35% in 2015. This would impose a significant impost on an industry which is suffering with most producers reporting financial losses in 2014. On 30 April 2015 the MIIT and MLR announced that the tax rate for light rare earths would be 7-12% p.a. and for heavy rare earths 27%, indicating a reduction from the announcement earlier in the year. Furthermore, the tax would be levied on concentrates, lower down the production chain than originally indicated. It may be some time before the new tax regime is finalised as there are still many aspects of the tax to be finalised.

Industry observers consider that the likely overall impact of the taxes will be a 10-20% increase on Chinese domestic prices, with FOB China prices an extra 5-10%, to allow for shipping to the port and packaging.

DZP weighted revenue basket, based upon mass balance recoveries from the demonstration pilot plant, at Chinese domestic prices:

	LREE (Pr+Nd)	US$56/kg
	YHREE (Eu+Gd+Tb+Dy+Y)	US$44/kg
	HREE (Eu+Gd+Tb+Dy)	US$287/kg

Niobium

The niobium market remains flat with ferro-niobium prices at US$40 - $43/kg (niobium content).

Financing

AZL continues to work with its advisors to progress funding of the project. With project development approval received, AZL is redoubling efforts in relation to funding. The broad strategy has not changed with strategic investment, Export Credit Agency finance and commercial debt remaining as the key components of the envisaged project funding suite.

TOMINGLEY GOLD OPERATIONS (TGO)

Tomingley Gold Operations Pty Ltd 100%

The TGO is based on four gold deposits (Wyoming One, Wyoming Three, Caloma and Caloma Two) located about 14 kilometres north of the Company's inactive Peak Hill Gold Mine, and approximately 50 kilometres south west of Dubbo. The recently defined Caloma Two resource has been incorporated into the open pit development schedule, and options for commencing underground operations on all resources are being evaluated.

Operations

Mining occurred in three pits Wyoming Three, Caloma and Wyoming One. The work in Wyoming One during the quarter was all waste stripping, with no ore production. Work in Wyoming Three is expected to be largely completed in the September quarter.

Ore reconciliations remain positive for the Wyoming Three pit year to date. In the Caloma pit the reconciliation has improved from the preceding quarter as the mine continues further into the fresh rock. Overall pit reconciliation to date remains in line with the resource model ounces.

During the quarter a lift on one of the two tailings storage facilities occurred. A lift will also occur in the September quarter. This work, combined with the waste stripping in Wyoming One, saw an increase in the AISC. The key cost driver for TGO remains the efficiency of the mining fleet. TGO continues to work collaboratively with its dry hire equipment supplier to lift the payload, utilisation and overall efficiency of the fleet.

Gold recovered for the quarter was 15,412 ounces, with 14,128 ounces of gold poured and an increase in gold in circuit at quarter end. Sales of 14,500 ounces were made resulting in revenue of A$21.4 million. The average sales price of A$1,478/oz reflected deliveries into some lower priced hedge contracts contributing to the increase in average forward price for the hedgebook at quarter end by A$50/ounce to A$1,577/ounce.

FY2015 production of 69,612 ounces was within the guidance range of 65,000 – 75,000 ounces. Full year sales of 70,734 ounces provided revenues of $101.9M at an average price of A$1,441/ounce.

FY2016 production guidance will be issued after the revised Reserve and Resource statement is finalised later in August following completion of revamped pit optimisation and mining schedule.

TGO FY2015 Quarterly Production Figures

TGO Production		Sep Qtr 2014	Dec Qtr 2014	Mar Qtr 2015	Jun Qtr 2015	FY 2015
Waste mined	BCM	1,653,357	1,414,557	1,308,783	1,353,965	5,730,661
Ore mined	Tonnes	300,493	389,242	308,504	388,052	1,386,291
Grade	g/t	2.03	1.67	1.47	1.50	1.66
Ore milled	Tonnes	296,012	300,971	266,913	276,808	1,140,704
Head grade	g/t	2.47	2.05	1.61	1.88	2.01
Recovery	%	95.4	94.4	93.1	92.0	93.9
Gold poured	Ounces	22,362	19,175	13,947	14,128	69,612
Revenue Summary						
Gold sold	Ounces	23,734	16,500	16,000	14,500	70,734
Average price realised	A$/oz	1,408	1,426	1,472	1,478	1,441
Gold revenue	A$M	33.4	23.5	23.6	21.4	101.9
Cost Summary						
Mining	A$/oz	470	619	893	1,020	707
Processing	A$/oz	246	316	414	352	321
Site Support	A$/oz	70	91	102	135	95
C1 Cash Cost	A$/oz	786	1,026	1,409	1,506	1,123
Royalties	A$/oz	43	39	36	43	40
Sustaining capital	A$/oz	8	5	26	78	25
Rehabilitation	A$/oz	17	19	24	25	20
Corporate	A$/oz	33	30	56	48	40
AISC[1]	A$/oz	886	1,119	1,552	1,700	1,249
Stockpiles						
Ore for immediate milling	Tonnes	192,966	301,326	374,224	468,032	468,032
Bullion on hand	Ounces	2,938	5,611	3,553	3,169	3,169

[1] AISC = All In Sustaining Cost comprises all site operating costs, royalties, mine exploration, sustaining capex and mine development and an allocation of corporate costs, presented on the basis of ounces produced

NSW EPA Prosecution

In 2014, Tomingley Gold Operations (TGO) reported two minor incidents occurring between March and June to the NSW Environmental Protection Authority (EPA) as part of its commitment to continuous environmental self-reporting.

The incidents occurred during last year's early winter rain period (March – June) when very heavy rainfall events (25mm of rain in 20 minutes for the first case) caused a soil runoff from the site's mining earthworks into a drain, which was carrying off-site water through the mine. The drain discharged the combined soil-laden water through a boundary fence, depositing soil onto the Newell Highway road reserve and the neighbouring farming property. The water entered three artificial dams – one on TGO's mining lease land and two on the neighbouring farming property.

No chemicals were involved and there has been no evidence of any environmental harm. The soil runoff was consistent with rain runoff at surrounding farms with ploughed fields. TGO has removed the soil from the road reserve and implemented changes to minimise the chances of this type of incident recurring. TGO takes entire responsibility for the incidents, pleading guilty in May 2015 and rectifying the situation immediately after the incidents had been identified. The matter is still to be finalised.

ELSIENORA (gold), BODANGORA (copper-gold), WELLINGTON (copper-gold), CUDAL (gold-zinc), ROCKLEY (gold) and FINNS CROSSING (gold-copper) were inactive during the quarter.

LEINSTER REGION JOINT VENTURE (nickel-gold)

Alkane Resources Ltd 19.4% diluting, Xstrata Nickel Australasia 79.6% Two prospects - ***Miranda*** *and* ***McDonough Lookout.***

Xstrata have advised that they have agreed sale terms with Australian Nickel Investments Pty Ltd for divestment of their interest in the joint venture. Alkane has not exercised its pre-emptive rights.

CORPORATE

The Group's cash position fell by $1.3M during the quarter to $14.8M. The Group has no debt.

Sale of the remaining 2.4M Regis Resources Limited shares realised a net $2.8M. A return of part of the security bond for the hedging facility provided for a further inflow of $2.0M.

Funds generated by the Tomingley Gold Operation during the period were applied to the activities underpinning the evaluation and development of the Dubbo Zirconia Project - $15.4M for FY2015.

Other financial assets as at 30 June 2015 include gold bullion on hand (A$4.8M).

At the time of this report, the hedge book was 21,500 ounces at A$1,586/oz.

Competent Person

Unless otherwise advised above, 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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mrr 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.

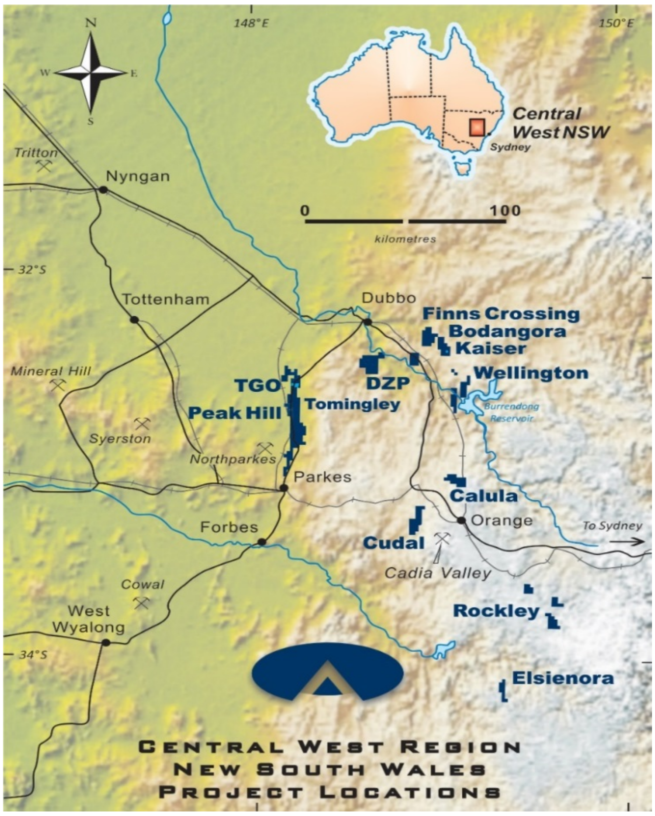
This document has been prepared in accordance with the requirements of Australian securities laws, which may differ from the requirements of United States and other country securities laws. Unless otherwise indicated, all ore reserve and mineral resource estimates included or incorporated by reference in this document have been, and will be, prepared in accordance with the JORC classification system of the Australasian Institute of Mining, and Metallurgy and Australian Institute of Geosciences.

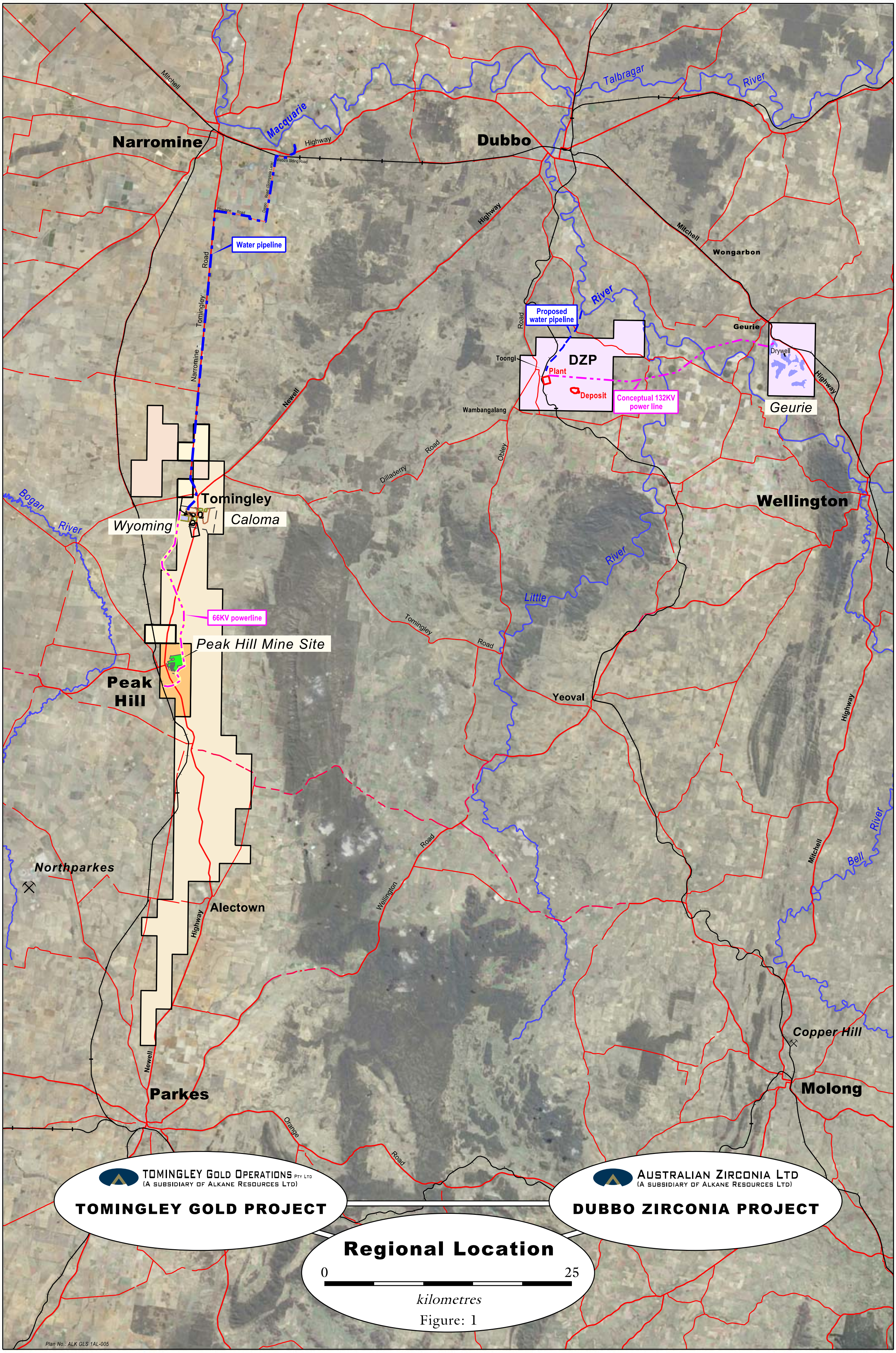
ABOUT ALKANE - www.alkane.com.au - ASX: ALK and OTCQX: ANLKY

Alkane is a multi-commodity company focused in the Central West region of NSW, Australia. Currently Alkane has two advanced projects - the Tomingley Gold Operations (TGO) and the nearby Dubbo Zirconia Project (DZP). Tomingley commenced production early 2014. Cash flow from the TGO will provide the funding to maintain the project development pipeline and will assist with the pre-construction development of the DZP.

The DZP Environmental Impact Statement has been completed and development consent granted by the Planning Assessment Commission. Financing is in progress and this project will make Alkane a strategic and significant world producer of zirconium products, hafnium and heavy rare earths when it commences production in 2017.

Alkane's most advanced gold copper exploration projects are at the 100% Alkane owned Wellington and Bodangora prospects, and Elsienora farm-in. Wellington has a small copper-gold deposit which can be expanded, while at Bodangora a large 12km^2 monzonite intrusive complex has been identified with porphyry style gold copper mineralisation. Encouraging gold mineralisation was recently drilled at Elsienora.




Narromine
Dubbo
Macquarie
Talbragar
River
Mitchell
Highway
Water pipeline
Tomingley
Narromine -
Road
Newell
Highway
Wongarbon
River
Proposed water pipeline
Road
Toongi
DZP
Plant
Deposit
Conceptual 132KV power line
Geurie
Drywell
Geurie
Highway
Wambangalang
Dilladerry
Road
Obley
Tomingley
Caloma
Wyoming
Bogan
River
Wellington
River
Little
Tomingley
Road
66KV powerline
Peak Hill Mine Site
Peak Hill
Yeoval
Highway
Road
Northparkes
Alectown
Highway
Wellington
Mitchell
Bell
River
Copper Hill
Molong
Newell
Parkes
Orange
Road
TOMINGLEY GOLD OPERATIONS PTY LTD
(A SUBSIDIARY OF ALKANE RESOURCES LTD)
TOMINGLEY GOLD PROJECT
AUSTRALIAN ZIRCONIA LTD
(A SUBSIDIARY OF ALKANE RESOURCES LTD)
DUBBO ZIRCONIA PROJECT
Regional Location
0
25
kilometres
Figure: 1
Plan No.: ALK GLS 1AL-005