

28 January 2015



ALKANE
RESOURCES LTD
ABN 35 000 689 216

Quarterly Report to 31 December 2014

Tomingley Gold Operations (TGO)

- TGO operated near budget for the quarter and FY15 forecast has been revised up to 65,000 to 75,000 ounces
- Mine to mill reconciliations remain positive
- Production summary for the quarter:
 - Gold production 19,175 ounces
 - Total cash operating costs (AISC) A\$1,116/ounce, financial year to date A\$991/ounce
 - Gold sales 16,500 ounces
 - Gold revenues A\$23.5 million at an average price of A\$1,426/ounce
 - Current gold hedge 30,000 ounces at A\$1,493/ounce

Dubbo Zirconia Project (DZP)

- Front End Engineering and Design (FEED) program continued and the process engineering design is complete, as is the plant layout. Several significant process improvements are now included in the design
- Tender lists completed and release to the market of packages for supply of plant and equipment commenced
- EIS review by Planning Assessment Commission is continuing and a new Mining Lease application lodged
- In response to market interest, separate recovery of hafnium is being considered as an addition to the poly metallic product output

Corporate

- TGO cash flow of A\$3.2M was lower than anticipated due largely to the build up in closing bullion on hand available for sale by 2,673 ounces (value of \$3.9M at 31 December spot price) to 5,611 ounces with production exceeding sales for the quarter. Cash balances at Quarter end totalled A\$18.9 million after DZP and corporate expenditures, with total gold bullion on hand of A\$8.1M and Regis Resources shares A\$5.8M

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DUBBO ZIRCONIA PROJECT (DZP) – zirconium, 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 the 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 Development Application for project approval and the EIS were lodged with the NSW Department of Planning and Environment (DP&E) in June 2013. The Company was advised in September 2014 that in accordance with NSW Planning Legislation relating to State Significant Developments, the application would proceed to the Planning Assessment Commission (PAC) for review. The commissioners were appointed early September 2014 and have commenced their review, which included a Public Hearing on 4 November 2014. The Minister for Planning instructed to PAC to complete their review within 2 months of this hearing, however this date has not been met. The Company expects the review to be completed in January with any concerns, if any, to be addressed by AZL prior to final determination by the PAC.

A new Mining Lease application was lodged with NSW Department of Trade and Investment, Division of Resources and Energy (DRE). This MLA covers 2,433 hectares and incorporates all of the land area for the operation as detailed in the EIS.

Process and Product Development

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

Promising increases in recoveries achieved for heavy and light rare earths at laboratory scale and further process improvements to the full plant design are now ready for trials at the demonstration pilot plant (DPP). These had been intended to be conducted during the December quarter but have been deferred until the Project Approval is further advanced in order to incorporate any additional requirements that might emerge from the Consent Conditions.

Further development of zirconium products following recent promising work with zirconium chemicals continued. One of the improved zirconium chemical products is zirconium basic carbonate (ZBC), which is widely used for producing other zirconium chemicals and powders. Reactivity of ZBC has been improved at laboratory scale, which should make it suitable for a wider range of applications.

Growing interest in hafnium as a separated product from zirconium has prompted a desktop review of potential process pathways to recover hafnium as an additional product from the DZP. Hafnium is closely associated with zirconium so is present in most zirconium products, except for zirconium metal used in specific high purity applications where hafnium needs to be separated and removed.

Hafnium has growing applications in aerospace for making super-alloys, where it is added in small amounts to improve performance under severe operating conditions. Other uses include development of high speed computer microprocessors by Intel and IBM. Growth in hafnium demand will require new sources of supply, which should encourage additional use of the material to be developed.

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The world market for hafnium metal is currently <100 tpa, and prices are estimated to be in the range of US\$600-800/kg for small lots.

Marketing

Marketing activities during the quarter included dispatch of further samples, plus meetings with major companies from Europe, Japan, USA, and China for DZP products. Alkane presented at the TZMI Congress in Shanghai and also attended the Roskill Rare Earths conference in Singapore in November. Follow up meetings with key customers are planned for the first quarter 2015 internationally and in Australia, and AZL will continue to advance discussions for off-take agreements.

Feedback from customers and industry sources on rare earth and zirconium prices is that flat market conditions are set to continue in to 2015. Niobium has remained stable. However, Australian dollar revenues have increased by around 8% during 2014, as prices are quoted in US dollars.

At the end of December, the Chinese Government announced it would abolish export quotas for rare earths to comply with the WTO ruling. However, the “quota” system is going to be replaced with export “licences” which are yet to be defined and implemented, but this regime it is likely to be restricted to qualified rare earths companies and effectively be a change in name only. Removal of export taxes has recently set to take effect from 2 May 2015, but it is anticipated that China will replace this tax with the introduction of a resources tax of equal measure.

Financing

The financing program led by Sumitomo Mitsui Banking Corporation (SMBC) and Credit Suisse (CS) is progressing. The immediate focus remains on achieving a small strategic sale at Project level and attracting the support of Export Credit Agency (ECA) funding.

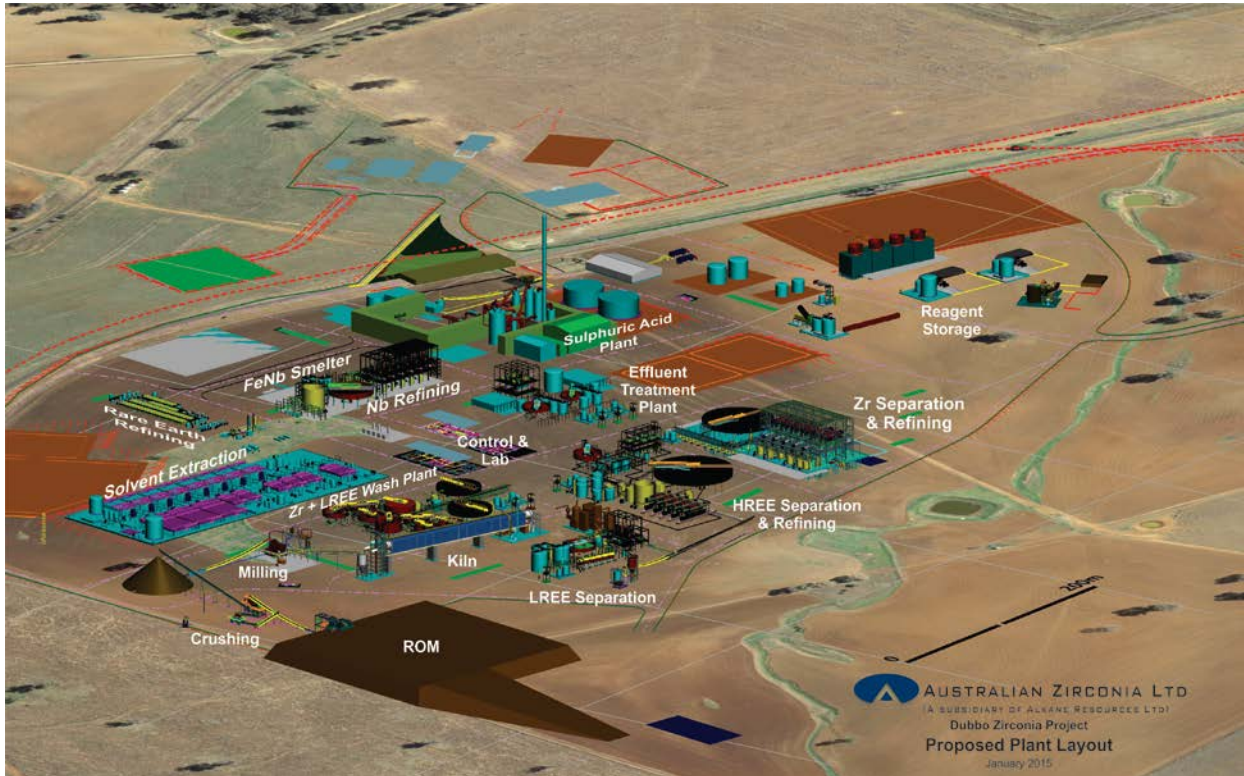
Engineering

Hatch are continuing the FEED to deliver capital and operating cost estimates to a target $\pm 10\%$ 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).

Process engineering design is complete, as is the plant layout. Several significant process improvements are now included in the design. These include improvements for water management and waste treatment. Other discipline engineering continues to progress.

The tender packages for supply of plant and equipment have begun to be released to the market, with tender lists completed. Packages are of sufficient detail to allow rapid finalisation of contracts once Project Approval and Financing are in place. Notification of successful tenderers to the market will not occur until actual contracts are awarded.

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TOMINGLEY GOLD OPERATIONS (TGO)

Alkane Resources Ltd 100%

The TGO is currently based on three gold deposits (Wyoming One, Wyoming Three and Caloma) 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 is being incorporated into the open pit development schedule, combined with a site strategic review to maximise the financial return and mine life. This will include potential for underground operations on all resources.

Mining and processing achieved design capacity late May 2014 and TGO is now operating at the 1Mtpa rate.

Operations

Mining focus remained in the Caloma pit with only small tonnages recovered from Wyoming Three. The majority of effort at Caloma remains on waste removal. Additional work in Caloma has occurred to reduce the wall angles in the upper benches to improve wall stability with some of the waste generated being used to increase the height of an amenity bund between the pit and the town to further reduce noise impact.

Ore reconciliations remain positive for the combined pits year to date with total recovered ounces still reporting over 30% greater than for the modelled resources. This trend has slowed in the Caloma pit for the December quarter as it transitions from oxide to fresh ore with milled tonnes reconciling about 13% greater and the milled grade about 3% greater than the reserve.

Gold poured for the Quarter was above budget at 19,175 ounces. FY2015 production estimate has increased to 65,000 – 75,000 ounces.

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TGO Quarterly Production Figures

TGO Production		FY 2014	Sept Quarter 2014	Dec Quarter 2014	FY 2015
Waste mined	BCM	4,635,684	1,653,357	1,414,557	3,067,914
Ore mined	Tonnes	545,550	300,493	389,242	689,735
Grade	g/t	1.42	2.03	1.67	1.82
Ore milled	Tonnes	359,096	296,012	300,971	596,982
Head grade	g/t	2.24	2.47	2.05	2.26
Recovery	%	91.4	95.4	94.4	94.9
Gold poured	Ounces	20,711	22,362	19,175	41,537
Gold sold	Ounces	16,374	23,734	16,500	40,234
Gold revenue	A\$M	23.3	33.4	23.5	56.9
AISC ¹	A\$/oz	1,604	867	1,116	991
Stockpiles					
Ore for immediate milling	Tonnes	185,701	192,966	301,326	301,326
Bullion on hand	Ounces	4,386	2,938	5,611	5,611

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

BODANGORA (copper-gold)

Alkane Resources Ltd 100% (includes right to acquire 100% in the Kaiser tenement)

A small RC drilling program of 7 holes totalling 1,672 metres was completed at the Kaiser Project. Additional porphyry style copper-gold mineralisation was intersected in the Duke Prospect. The drilling results were reported in ASX Announcement of 21 January 2015.

Better results include:

- **KSRC010** **16m @ 0.87% Cu, 0.57g/t Au from 126 metres**
including **4m @ 1.45% Cu, 0.78g/t Au from 128 metres**
and **3m @ 1.52% Cu, 1.13g/t Au from 139 metres**
and **14m @ 0.63% Cu, 0.58g/t Au from 151 metres**
within **112m @ 0.36% Cu, 0.24g/t Au from 115 metres**
- **KSRC011** **54m @ 0.33% Cu, 0.14g/t Au from 72 metres**
including **5m @ 1.15% Cu, 0.45g/t Au from 73 metres**
and **79m @ 0.37% Cu, 0.22g/t Au from 134 metres**
including **3m @ 0.85% Cu, 0.52g/t Au from 198 metres**

ELSIENORA (gold)

Alkane Resources Ltd earning 80%

A soil sampling program (432 samples) was completed at Elsiehora. The program was undertaken in an area to the south of the historic Elsiehora workings (the focus of the majority of previous exploration activities) where little or no previous work has been completed. Results are awaited



CALULA (base metals-gold) Following further review of the prospectivity of the tenements, the project was relinquished.

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 20% diluting, Xstrata Nickel Australasia 80% Two prospects - **Miranda and McDonough Lookout.***

Xstrata have not advised any field activities for the Quarter to date.

CORPORATE

During the December quarter, the Group executed hedging facilities with the Commonwealth Bank of Australia (CBA). The group is in the process of novating existing hedges with Credit Suisse to CBA and arranging for the release of TGO project asset securities held by Credit Suisse.

At the time of this report, the hedgebook was 30,000 ounces at A\$1,493.

TGO production exceeded sales for the quarter with closing bullion on hand available for sale built up by 2,673 ounces (value of \$3.9M at 31 December spot price) to 5,611 ounces. This combined with the scheduled lower gold grade in the Caloma pit and higher costs associated with the transition from oxide to fresh ore resulted in increased costs per ounce and cash flow for the quarter of \$3.2M.

Factors contributing to the reduction of the group's cash position by \$6.4M to \$18.9M included provision of a \$2.5M security deposit to CBA for the new gold hedge facilities for TGO and \$2.83M capital expenditures predominantly in relation to land acquisitions for the Dubbo Zirconia Project.

Other financial assets as at 31 December 2014 include gold bullion on hand (A\$8.1M) and Regis Resources shares (A\$5.8M).

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. 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.

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.

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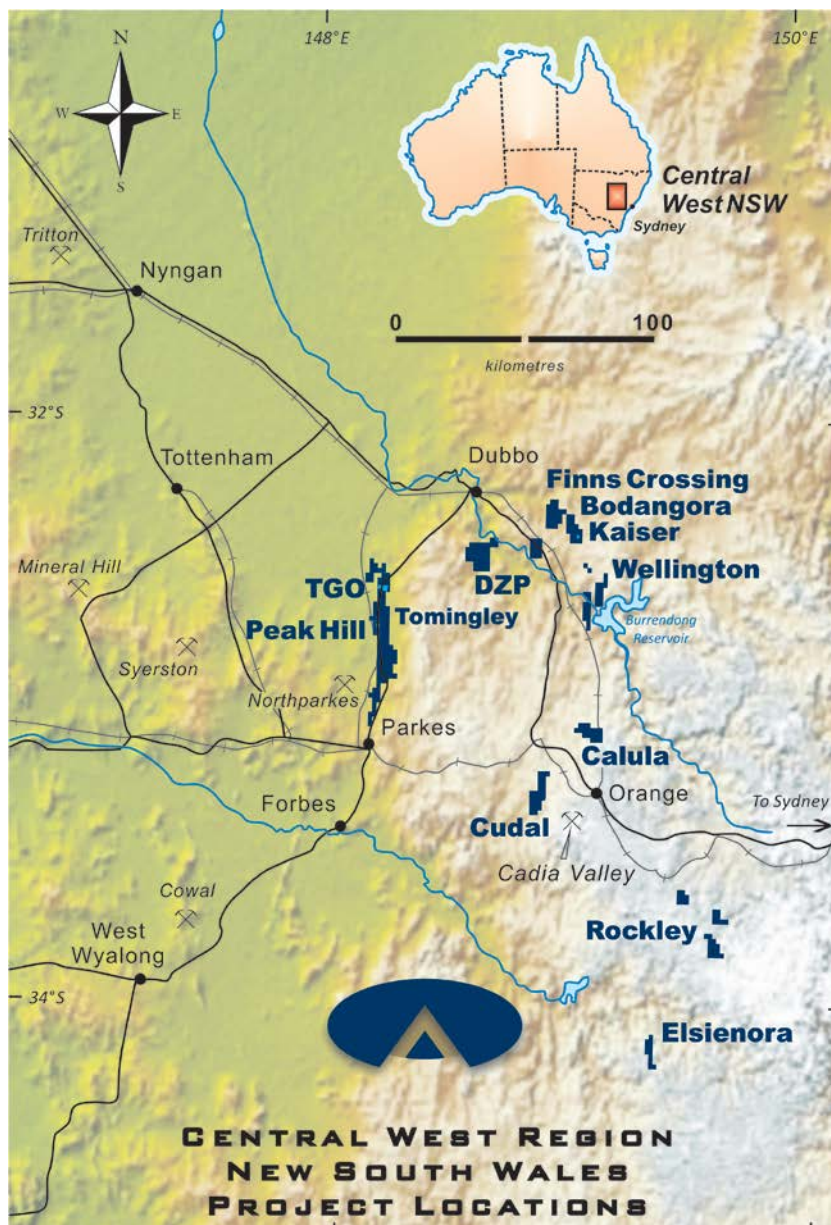


ABOUT ALKANE - www.alkane.com.au - ASX: ALK and OTCQX: ANLKY

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.

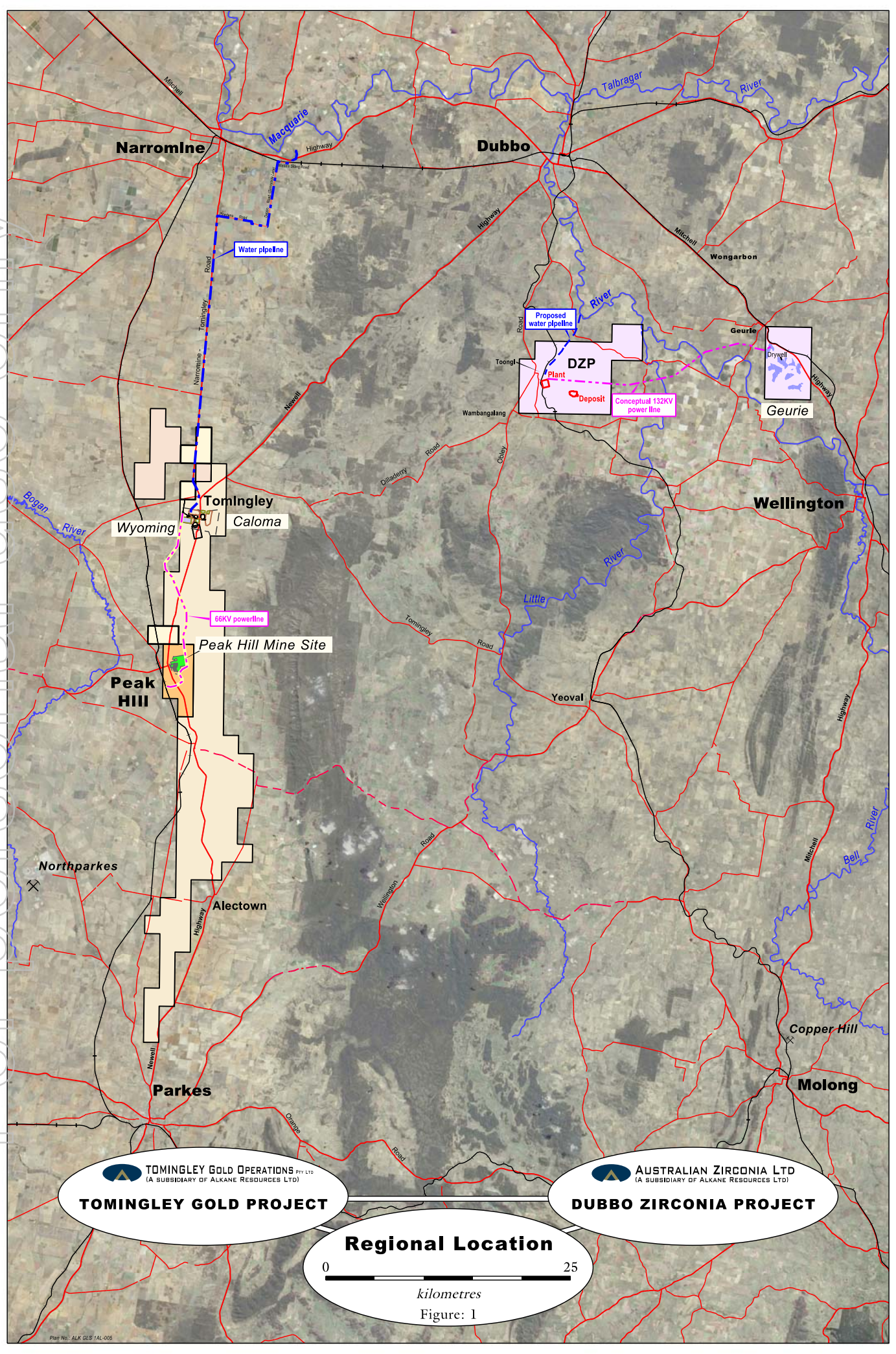
The DZP Environmental Impact Statement has been completed and a development decision is anticipated Q1 2015. Financing is in progress and this project will make Alkane a strategic and significant world producer of zirconium products and heavy rare earths when it commences production in 2016.


Alkane's most advanced gold copper exploration projects are at the 100% Alkane owned Wellington and Bodangora prospects. Wellington has a small copper-gold deposit which can be expanded, while at Bodangora a large 12km² monzonite intrusive complex has been identified with porphyry style gold copper mineralisation. Encouraging gold-zinc mineralisation and alteration associated with a monzonite intrusive, has been identified at Cudal.



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(A SUBSIDIARY OF ALKANE RESOURCES LTD)

TOMINGLEY GOLD PROJECT

 **AUSTRALIAN ZIRCONIA LTD**
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DUBBO ZIRCONIA PROJECT

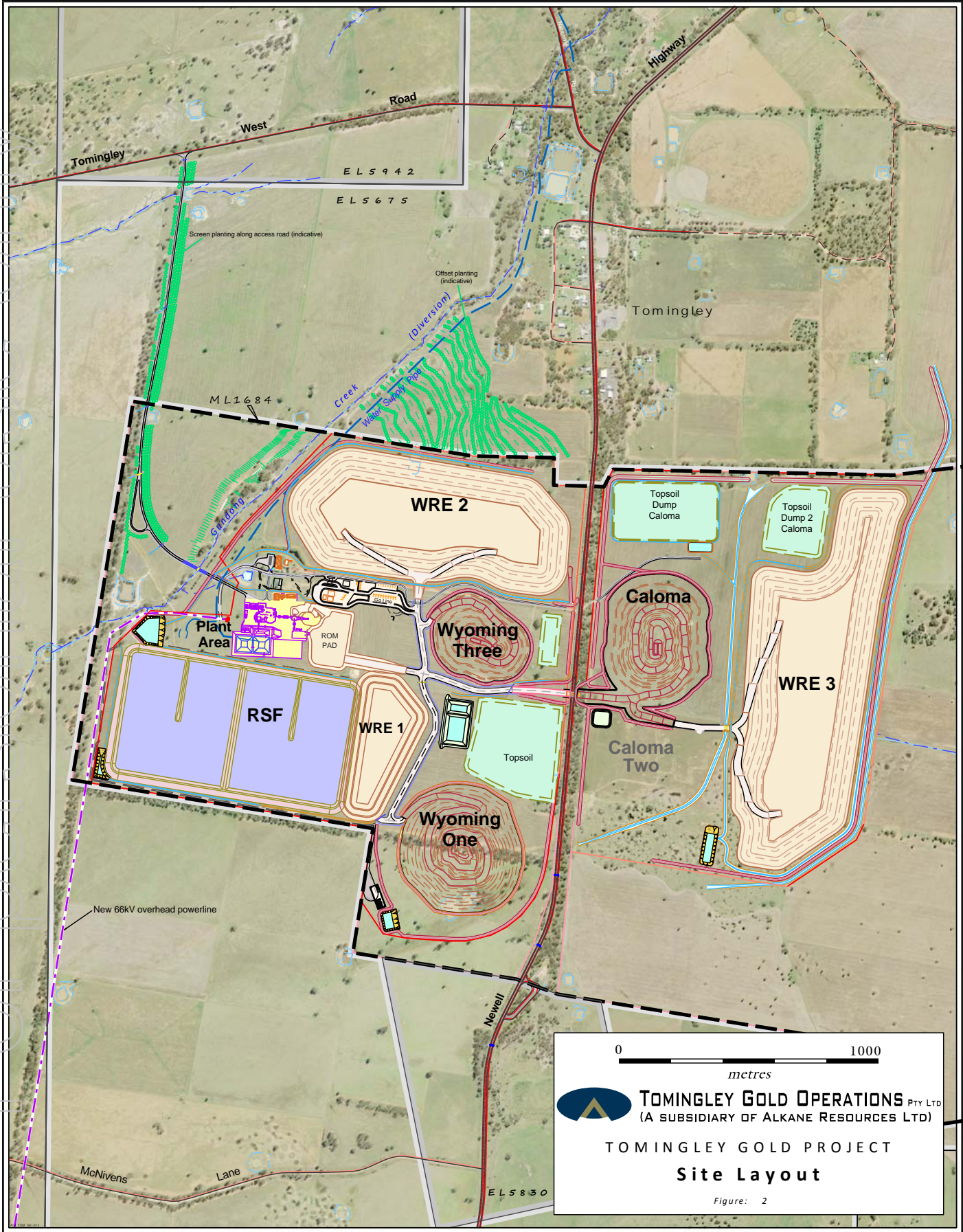
Regional Location

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Figure: 1

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TOMINGLEY GOLD PROJECT
Site Layout

Figure: 2