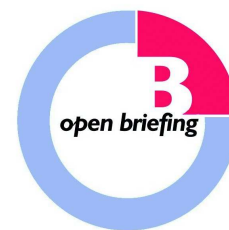


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Alkane Resources Ltd (ASX code – ALK) announced recently the results of a deep core hole drilled deep into the Caloma resource at the Tomingley Gold Project (TGP) [ALK 100%]. What was the purpose of drilling this deep hole, particularly when you are so close to completing the Definitive Feasibility Study (DFS) for the TGP? What are the major results and the implications? How consistent was the gold mineralisation through the deeper levels?

MD Ian Chalmers

We had to drill two additional metallurgical holes, one into the top of Wyoming One deposit and one into the Caloma deposit, and we thought while we had the rig there, even though it was a vertical hole, we should push it to a fair depth to have a look at the geology. We have lots of deep holes into Wyoming One that forms a basis of our underground resource there but nothing below the planned open pit at Caloma,

We pushed the hole down to nearly 400 metres vertical depth and discovered some very interesting mineralisation. The Caloma ore body, although it's geologically in the same rock sequence, it's actually quite different to Wyoming One. Caloma is made up of a series of shallow dipping stacked lenses of alteration and gold mineralisation. The deep hole demonstrated that the stacked lenses continue virtually down to the bottom of the hole. While they may not have come in with spectacular grades, they certainly gave us an indication that the geology is there; the mineralisation is there; everything that we expected to see was there. I think it does give great credence to the future that there will be a mineable underground resource below the current Caloma open pit outline.

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What is the timing for completion of the Tomingley DFS? What tasks remain? Has there been any change to the main project parameters, development timing and financials?

MD Ian Chalmers

The time frame has drifted a bit and looks like now being about the end of November. The remaining tasks are some critical inputs around the geotechnical study which ultimately affects the pit mining modelling and the pit optimisation. Once we've got all that, we can start to generate the cash flow models to complete the feasibility study.

The development concept is still very much the same. A million tonne a year, initial open pit operation, standard carbon-in-leach gold recovery plant producing about 50 to 55 thousand ounces of gold over an initial 6 to 7 year period. Some of the costs have had to be adjusted over the last six months, with the biggest surprise being some of the larger capital cost items, which have increased more than we had anticipated. The budget prices for power and water supply are about twice what we originally anticipated, but the project remains reasonable at current spot gold prices.

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You mention the underground potential at Tomingley. Can you describe how an underground development might alter the scope of the project?

MD Ian Chalmers

At this stage it's really only the Wyoming One deposit where we have enough information to say there is a potential underground resource. Although that hasn't been quantified in an underground mining sense - just a bulk resource sense - and still needs a reasonable amount of work to define. This will be done once the open pit operation is up and running. The same will happen with Caloma. Right now we've really only got one drill hole into Caloma, so we need to do a lot more drilling. We won't necessarily drill it out to any great extent from the surface but we'll drill enough holes to get the broad geological parameters and then once the pit is developed, we can put a decline in and have a look at it and drill it out from the decline.

At this stage it doesn't change the Base Case start up model, which is still focussed on the open pit operation. The plan is that by year three or four, we will have enough information to determine whether it is feasible to develop an underground mine beneath the pits at Wyoming One and Caloma. Obviously it would add significantly to the financial return if this concept becomes feasible.

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Newmont Australia has expended the necessary A\$5 million to earn its 51% in the Orange JV and is now contributing additional funds on exploration. Can you describe the latest results and how it adds to your understanding of the project mineralised potential? Why did Newmont seek to delay its decision on the ultimate level of equity they will take in the project?

MD Ian Chalmers

It's worthwhile explaining the delay in Newmont's decision first. In May of this year they had reached their 51% earn-in after spending A\$5 million. Under the existing JV agreement, they then had to decide whether they wanted to go to 75% by carrying all expenditures to a bankable study or stay at 51% and co-spend with us.

As part of their internal project assessment criteria for the McPhillamys deposit, Newmont felt at that stage they didn't have enough information to move ahead toward securing a 75% interest, so they asked us for an extension to the end of February 2010. The trade off for Alkane was that Newmont would spend an additional plus A\$2 million without any increase in equity and that initial program has recently been completed. I hope that Newmont has generated enough information to make that next fairly large investment decision.

As far as recent results go, we had quite a gap between the shallow air core/RC drilling and the deeper diamond holes. The current drill holes have closed that gap and successfully demonstrated the continuity of the grades and widths of the mineralisation we had encountered in the earlier campaigns. The program was not intended to expand the resource potential.

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What is the forward exploration program at McPhillamys? When could we expect an initial resource? What potential is there outside the current exploration area?

MD Ian Chalmers

Newmont have only just recently advised us that they are going to do more drilling this year on McPhillamys, plus also evaluating some of the very interesting regional targets. At McPhillamys, I think they'll be in a position to give us at least an inferred resource by the end of the current calendar year and I still believe that the deposit has a plus 2.5 million ounce resource potential.

There were some quite interesting results released recently from Kings Plains and Flanagans Gully targets, which are located about 2 to 3 kilometres to the south of McPhillamys, with ore grade intercepts over a number of holes along a twokilometre strike length. Obviously these targets still need a lot more drilling to take them any further.

We were also very encouraged by the results from a new zone called Sherlock, located just off the northwest flank of McPhillamys. Previously we had a diamond core hole that revealed some very interesting geology but not large amounts of mineralisation. Some of the recent air core holes however, have returned some very positive results. McPhillamys East also remains an interesting, but still largely untested area, where more drilling is required.

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What feedback are you receiving from potential customers for the Dubbo Zirconia Project? Where have you sent sample products so far?

MD Ian Chalmers

Samples have been sent to a number of key industry companies in Europe, Japan, China, and will also go into North America shortly, and the feedback we're getting is very positive.

Due to the nature of the deposit and our process flowsheet, these samples are quite a different feed material than what a lot of the customers have had in the past, and that requires a fair amount of evaluation by them on the applicability to their existing processes. But we've seen some interesting areas open up that we hadn't really thought about before in terms of the market and the market potential. A lot of those are commercially sensitive, so it's not appropriate for me to discuss at this stage, but hopefully over the next two to four months, we'll be able to talk more definitively about these opportunities.

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What further products are you developing at the pilot plant that has not yet been sampled by potential customers? When do you expect to send sample products of these? When do you expect to sign first commercial off take contracts?

MD Ian Chalmers

The samples we've sent out at this stage are dominantly zirconium with four different product components, plus the niobium concentrate. These are currently the main offtake from the demonstration plant. We have been working at laboratory scale at ANSTO with the yttrium and rare earth circuits and we hope that sometime in the next month or so we'll be able to prove that we have a flow sheet that produces a light rare earth concentrate and a yttrium heavy earth concentrate. Once the flow sheet is settled we'll attach that to the demonstration plant and start producing reasonable quantities of a light rare earth product and a yttrium heavy earth product for distribution.

Given the discussions we have had so far, I think we should be able to have some commercial off take contracts in place by the end of the first quarter next year. This will be timely as we plan to reactivate the Definitive Feasibility Study for the project early in the new year and target completion by the end of September 2010.

In the current environmental and economic climate, products for the rare earth and yttrium industries are becoming increasingly more in demand. This is exacerbated by the Chinese plan to limit rare earths exports, including prohibiting the export of yttrium and some of the heavy rare earths. This creates almost a unique opportunity for the Dubbo Zirconia Project where probably three or four years ago we would have said that the rare earth component of the proposed product suite was relatively minor. In the last twelve months it has certainly assumed a far greater significance and is now very important component of our marketing strategy.

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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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