

18 July 2014



Quarterly Report to 30 June 2014

Tomingley Gold Operations (TGO)

- Mining and processing achieve design capacity late May
- Mine to mill reconciliation positive with tonnes 12% and grade 23% greater than the modelled ore reserves
- Production summary for the quarter:
 - Gold production 16,348 ounces
 - Total cash operating costs (AISC) A\$1,283/ounce
 - Gold sales 15,576 ounces
 - Gold revenues A\$22.1 million at an average price of A\$1,418/ounce
 - Current gold hedge 24,000 ounces at A\$1,444/ounce
- Site focus to stabilise and optimise the operations

Dubbo Zirconia Project (DZP)

- No matters outstanding for project approval but no further advice on timing
- Process optimisation and product development work continued
- Marketing trips to Japan and Europe in progress.
- Product samples distributed in the US, Japan, China and Europe
- MoU with Shin-Etsu for rare earth processing and off-take extended to 31 December 2014 to facilitate commercial agreement
- MoU with European manufacturing and trading company for zirconium and rare earth sales extended to 31 December 2014 to enable commercial agreements to be completed
- Front End Engineering and Design (FEED) program proceeding

Corporate

- Share placement raises A\$10.4 million

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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 30 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)

While the Company has been advised that there are no outstanding matters impeding the progression of Project approval, the NSW Department of Planning and Environment (DP&E) has not been able to give a time for the application to proceed to the Planning Assessment Commission (PAC) for review or determination.

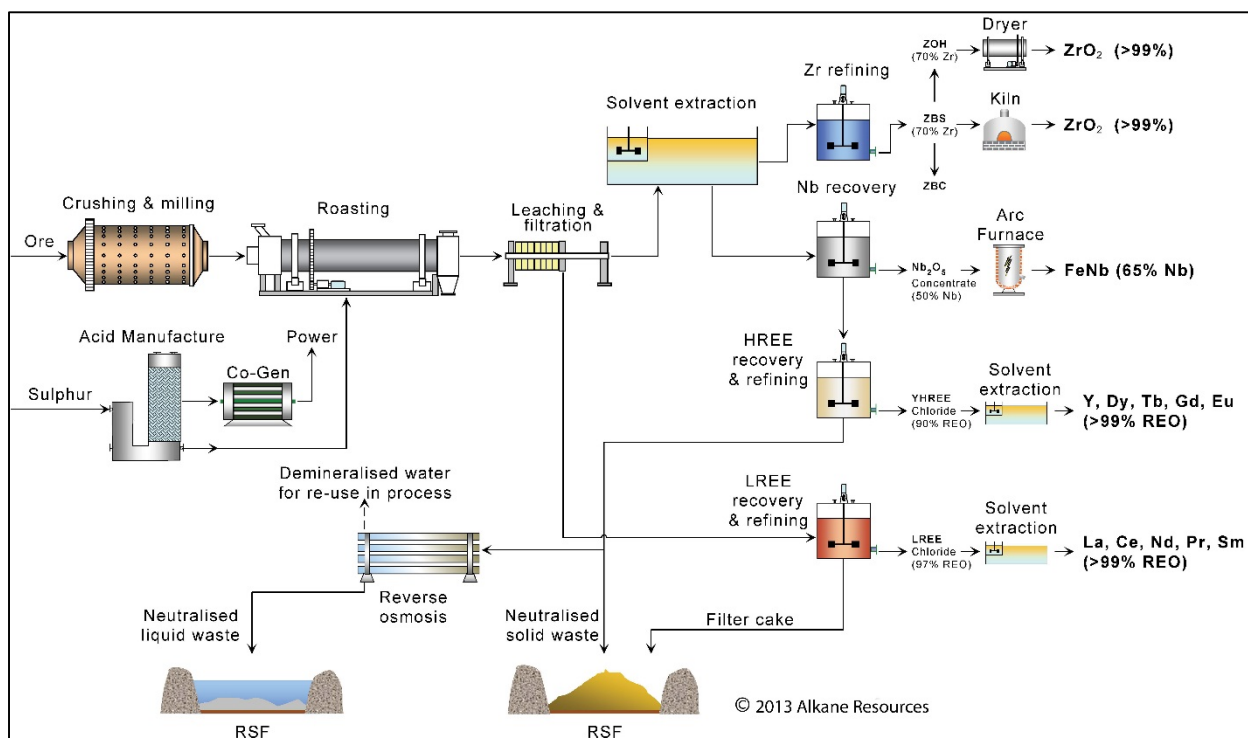
The Company maintains an information site at:

<http://www.alkane.com.au/index.php/community/dzpprogress>, which provides additional information on the EIS and proactive response to community concerns and questions.

Process and Product Development

Process optimisation and product development continued on the demonstration pilot plant (DPP) at ANSTO in Sydney and at the AML laboratory in Perth. These programs are designed to improve the operating efficiencies and reduce capital and operating costs, while improving the Project revenues through higher value output.

Further improvements to rare earth recoveries are still to be trialled.



DZP Flowsheet



Marketing

DZP marketing activities during the Quarter included follow up visits to key potential customers in Japan and a major effort in Europe to develop options for zirconium, niobium and rare earth product agreements. Dialogue and product sample distribution continued with potential customers in the US, Japan, Europe and China.

AZL presented at the Ruidow Global Zircon Conference in Haikou, China at the end of May.

The MOUs with Shin-Etsu for rare earth processing and off-take, and the European manufacturing and trading company for zirconium and rare earth sales, have been extended to 31 December 2014 to enable commercial agreements to be completed.

Zirconium

Market conditions for zirconium material continue to remain flat, with stocks of zircon and downstream products readily available and demand limited. Reduced zircon production by major producers is expected to bring supply back into balance later in the year, while there are also signs of consolidation of the Chinese zirconium chemicals industry in response to overcapacity and unsustainably low prices.

Rare Earths

Rare earths prices remained flat during the Quarter, but are showing some positive signs, particularly for the key elements used in magnetic materials such as neodymium and dysprosium. Strong praseodymium demand is being driven by the ceramic colours market. The apparent commitment of Chinese authorities to curtail illegal mining, processing, and export of heavy rare earths is expected to support prices for this group of products.

Niobium

Demand is moderate for the ferro-niobium market but recent prices are back above US\$40/kg. This market is expected to improve later in 2014.

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 have continued to execute the Front End Engineering and Design (FEED) program for DZP. FEED remains on schedule with engineering and procurement activities due for completion in Q4 2014 and final reporting and estimates of the FEED to be prepared early in Q1 2015.

Completion of the FEED will provide AZL with the core cost estimates for use in its bankable feasibility study, which will also include updated marketing and financial information and is an important step to securing the funding for the Project through international Export Credit Agency (ECA) sources and project debt.

Infrastructure

A major study has been completed to determine the optimum logistical infrastructure for supply of reagents to the Project. This study included a detailed assessment of all reagent sources and costs, port handling and storage, and transport scheduling.



The results concluded that the port of Newcastle and rail freight to Dubbo, with subsequent road transport to the site minimises the overall impact for the residents at Dubbo and Toongi (project site) and presents the most cost effective solution. Reactivation of the rail from Dubbo to Toongi remains an option but the logistics of rehabilitating and reusing the various road crossings is complex, with the potential to cause serious inconvenience to local and highway road traffic movements.

Major Milestones	2014	2015	2016	2017
Finalise Off-take agreements	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■		
Project Approval Process	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■		
Project Financing Program	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■		
Front End Engineering Design (FEED)	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■		
CONSTRUCTION		■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■	
PRODUCTION			■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■

Estimates of times are indicative only and are subject to change. Alkane reserves the right to vary the timetable without notice.

Mineral Resources and Ore Reserves

The Mineral Resources and Ore Reserves for the DZP are currently being revised to comply with JORC 2012 reporting and these will be released as soon as practical.

GEURIE LIMESTONE (DZP)

Australian Zirconia Ltd (AZL) 100%

41 RC drill holes totalling 1,419 metres were completed at “Drywell” to define a near mine limestone resource to supply as a neutralising agent for the DZP process. The DZP requires approximately 300,000 tonnes per year of good quality (90% CaCO₃ + MgCO₃) limestone. Drywell is located approximately 20 kilometres east of the DZP and has excellent access to infrastructure.

The drilling was completed to approximately 50 metres below the crest of the outcrop ridge on a 100 metre x 100 metre grid. The limestone is thickly bedded to massive and recrystallised, and is occasionally interbedded with laminated marl of an inferior CaCO₃ grade and shale. Voids were rare and where intersected are filled by brown clay. The limestone intercepts averaged 94.6% combined CaCO₃ + MgCO₃, 2.97% SiO₂, 1.05% Al₂O₃ and 0.70% Fe₂O₃ (using simple length weighted mean) within the most coherent block identified by drilling.

TOMINGLEY GOLD OPERATIONS (TGO)

Alkane 100%

The TGO is currently based on three gold deposits (Wyoming One, Wyoming Three and Caloma) located 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 review of the potential for underground operations on all resources.

Operations

Mining and processing achieved design capacity late May and is now operating at the 1Mt/pa rate.



Mining continued in two pits; Wyoming Three and Caloma with the majority of effort in the longer life Caloma pit. Ore was removed from both pits, with a closing ROM ore stockpile of over 170,000 tonnes.

Ore reconciliations have been positive in the pits for both tonnes and grade. For the combined pits year to date the milled tonnes reconcile 12% greater and the milled grade reconciles 23% greater than the modelled ore reserves. As this is early in the pit life, particularly Caloma, this trend continues to be monitored.

Gold poured for the Quarter was near budget at 16,348 ounces, but the financial year total of 20,711 ounces was below target guidance of 22,000 – 27,000 ounces due to the initial issues with the cyanide destruct circuit limiting ore throughput. FY2015 production is estimated to be 60,000 – 70,000 ounces.

Site efforts continue on steadying and optimising the operation. Areas of focus include ore blending, stabilisation of processing recoveries, mining fleet productivity and the site's supply chain and logistics.

TGO Quarterly Production Figures

	Units	Dec Quarter 2013	Mar Quarter 2014	Jun Quarter 2014	Year to Date FY 2014
Production					
Waste mined	BCM	696,788	1,906,377	2,032,519	4,635,684
Ore mined	Tonnes	-	165,404	380,146	545,550
Grade	g/t	-	1.30	1.47	1.42
Ore milled	Tonnes	-	120,270	238,826	359,096
Head grade	g/t	-	2.32	2.20	2.24
Recovery	%	-	89.8	92.3	91.4
Gold recovered	Ounces	-	4,363	16,348	20,711
Gold sold	Ounces	-	798	15,576	16,374
Gold revenue	A\$M	-	1.2	22.1	23.3
AISC ¹	A\$/oz	-	2,806 ²	1,283	1,604 ²
Stockpiles					
Ore for immediate milling	Tonnes	-	43,067	185,701	185,701
Bullion on hand	Ounces	-	3,565	4,386	4,386

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

² The AISC for the March Quarter was A\$2,806 per ounce produced as a result of significant mining costs associated with the movement of waste and low production for the period.

Costs

The All In Sustaining Cost¹ (AISC) for the June Quarter was A\$1,283 per ounce produced. Costs for the quarter were high with the operation completing ramp up well into the quarter (ie at the end of May).



It is expected that unit costs will reduce this financial year with the processing plant operating at design capacity and associated operational start-up costs not recurring. In the previous quarter an operating cash cost net of deferred waste movement was presented as this reflected a more meaningful basis to understand the cost performance of the operation for the period. With the operation ramp up now complete, Alkane believes that this is an appropriate time to commence reporting on an AISC basis, as consistent with the majority of producers in the industry. Costs presented are unaudited and represent non-GAAP disclosures.

Mineral Resources and Ore Reserves

The Mineral Resources and Ore Reserves for the TGO are currently being revised to comply with JORC 2012 reporting and these will be released as soon as practical.

BODANGORA (copper-gold)

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

Successful structural reconstruction of the original Kaiser porphyry system has been validated by recent drilling activity (ASX announcement 8 April 2014). As a result three target areas, including Kaiser, are considered highly prospective for alkalic porphyry gold-copper mineralisation.

Ongoing mapping activity and the structural interpretation suggests the Kaiser porphyry system was developed at the contact between a fine-grained volcanoclastic package and an overlying sequence of coarse-grained andesitic volcanoclastics, a stratigraphic setting similar to the Ridgeway Deposit at Cadia, where the gold-copper mineralisation is developed at the contact between the fine-grained volcanoclastics of the Weemala Formation and the overlying coarse-grained andesitic Forest Reefs Volcanics.

ELSIENORA (gold)

Alkane Resources Ltd earning 80%

Exploration activity during the June quarter included a systematic soil geochemical survey (572 samples) covering target areas north of the Elsenora Prospect. The sampling targeted those portions of the Cuddyong Formation thought prospective for McPhillamys-style gold mineralisation and orogenic gold targets.

The sampling across the Ironstone-Pickers prospect trend outlined a broad, low level (>10ppb, maximum 208ppb) gold anomaly (\pm As, Pb & Sb) over a strike length of about 750 metres. This multipoint/multi-element soil anomalism seems consistent with McPhillamys-style gold mineralisation.

Sampling across the Cuddyong (White Lode) Prospect has highlighted a more scattered gold anomaly with isolated values up to 1750ppb Au. The sampling shows poor association with other elements and is thought to be more characteristic of an orogenic gold target. The Cuddyong Prospect is characterised by anomalous trench gold geochemistry (Trench 4 50m @ 2.3g/t gold, including 25m @ 3.6g/t gold*), and nearby sporadic drilling (incl. 24m @ 0.9g/t Au from 6m in RC hole WL2*) completed by other companies in the late 1980's. Sampling across the Nobbs Reef Prospect, which includes a historical drill WL9 intercept of 10m @ 20.70g/t Au from 36m*, returned single point gold anomalies up to 1600ppb.

* Data derived from the 1993 Annual Report for EL 2934 to the NSW Department of Mineral Resources submitted by Telberth NL.

FINNS CROSSING (gold-copper)

Alkane Resources Ltd 100%

The Finns Crossing project is located immediately to the northwest of the Bodangora Exploration Licence and was granted during the June quarter. The tenement is considered a key acquisition in the



northern Molong Belt and adds to the large ground holding the Company has in this region which is emerging as highly prospective for alkalic porphyry gold-copper mineralisation.

WELLINGTON (copper-gold), CUDAL (gold-zinc), CALULA (base metals-gold) and ROCKLEY (gold) were inactive during the Quarter. The **PARKES** tenement has been reviewed and will be relinquished.

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

Mid June, Alkane completed a placement to institutional and sophisticated investors to raise approximately A\$10.4 million through the issue of 40.0 million at a price of A\$0.26 per share, representing a 4% discount to the last sale price prior to the Company's shares entering a trading halt on 12 June 2014 and a 6% discount to the 5 day VWAP.

The Placement received strong interest from Australian and international investors and Alkane welcomes various funds managed by Fidelity Worldwide Investment as substantial shareholders (10%) in the Company. Petra Capital Pty Ltd and Credit Suisse (Australia) Ltd were joint-lead managers of the Placement.

Alkane retains its holding in Regis Resources Limited of 3.015M shares. The current gold hedge book is 24,000 ounces at A\$1,444 for delivery over the period up to 30 April 2015.

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. Ian 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.

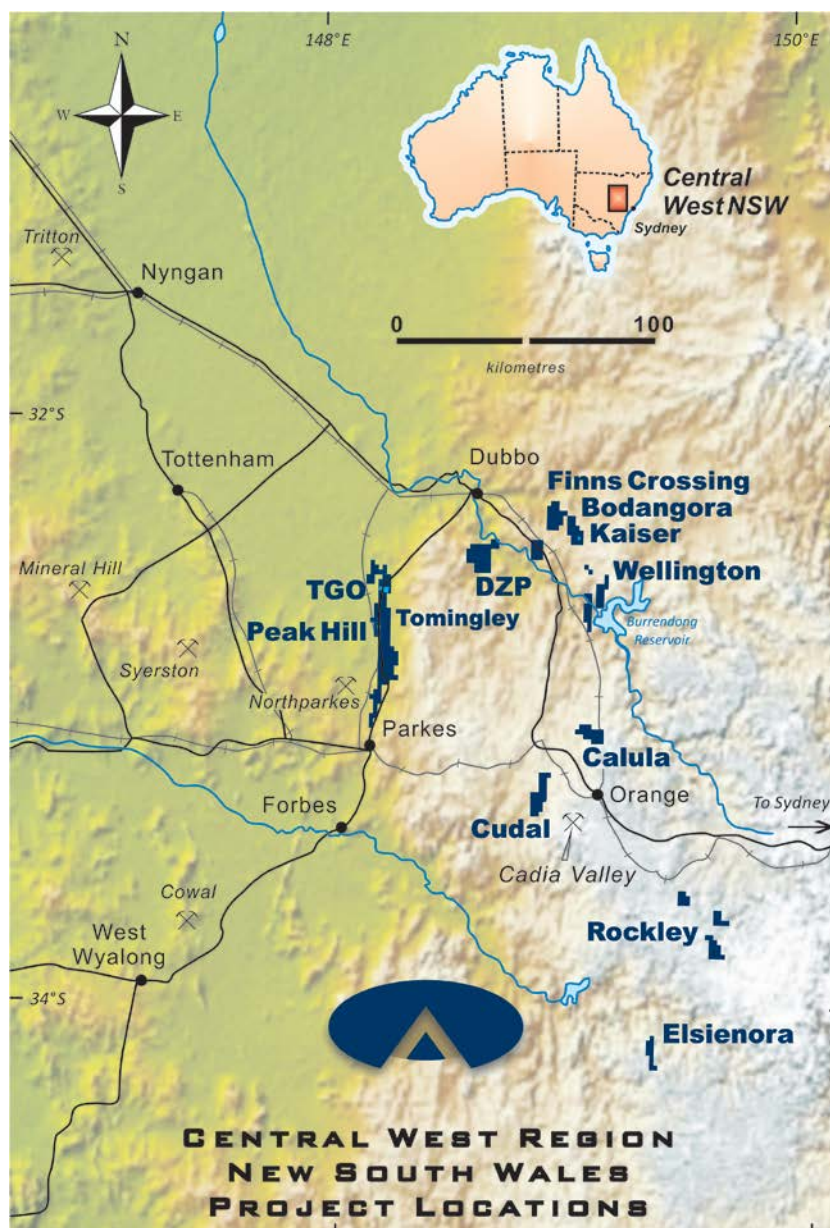


ABOUT ALKANE - www.alkane.com.au - ASX: ALK and OTCQX: ANLKY

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

The DZP Environmental Impact Statement has been completed and a development decision is anticipated Q4 2014. 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 copper-gold mineralisation. Encouraging gold-zinc mineralisation and alteration associated with a monzonite intrusive, has been identified at Cudal.





Tomingley (TGO) – Mineral Resources

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		Ounces
	Tonnage (Mt)	Grade (g/t) Au	Tonnage (Mt)	Grade (g/t) Au	Tonnage (Mt)	Grade (g/t) Au	Tonnage (Mt)	Grade (g/t) Au	
Wyoming One ²	2.32	2.2	0.89	2.2	3.12	1.7	6.32	1.9	392,400
Wyoming Three ²	0.64	2.0	0.06	2.0	0.10	1.3	0.81	1.9	49,900
Caloma ²	2.69	2.3	0.57	2.1	2.19	1.9	5.45	2.1	369,400
Caloma Two ¹			1.0	2.4	0.7	1.4	1.70	2.0	109,300
Total	5.65	2.2	2.52	2.25	6.11	1.73	14.29	2.0	921,000

¹ These Mineral Resources are based upon information compiled by Mr Richard Lewis FAusIMM (Lewis Mineral Resource Consulting Pty Ltd) who is a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Richard Lewis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. Full details of methodology were given in the ASX Announcement 12 November 2013

² These Mineral Resources are based upon information compiled by Mr Richard Lewis FAusIMM (Lewis Mineral Resource Consulting Pty Ltd) who is a Competent Person as defined in the 2012 Editions of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Richard Lewis consents to the inclusion in this report of the matters based on his information in the form and context in which it appears. The details of methodology for estimating these resources was reported 29 March 2012.

Tomingley (TGO) – Ore Reserves

DEPOSIT	PROVED		PROBABLE		TOTAL Tonnage (t)	TOTAL Grade (g/t) Au	Ounces
	Tonnage (t)	Grade (g/t) Au	Tonnage (t)	Grade (g/t) Au			
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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. 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. Full details in ASX Announcement 13 December 2011

Note: ASX announcements 13 December 2010, 29 March 2012 and 12 November 2013 - the Company confirms that all material assumptions and technical parameters underpinning the estimated Mineral Resources and Ore Reserves, and production targets and the forecast financial information as disclosed continue to apply and have not materially changed.

Dubbo Zirconia Project (DZP) – Mineral Resources

Toongi Deposit	Tonnage (Mt)	ZrO ₂ (%)	HfO ₂ (%)	Nb ₂ O ₅ (%)	Ta ₂ O ₅ (%)	Y ₂ O ₃ (%)	REO (%)
Measured	35.70	1.96	0.04	0.46	0.03	0.14	0.75
Inferred	37.50	1.96	0.04	0.46	0.03	0.14	0.75
Total	73.20	1.96	0.04	0.46	0.03	0.14	0.75

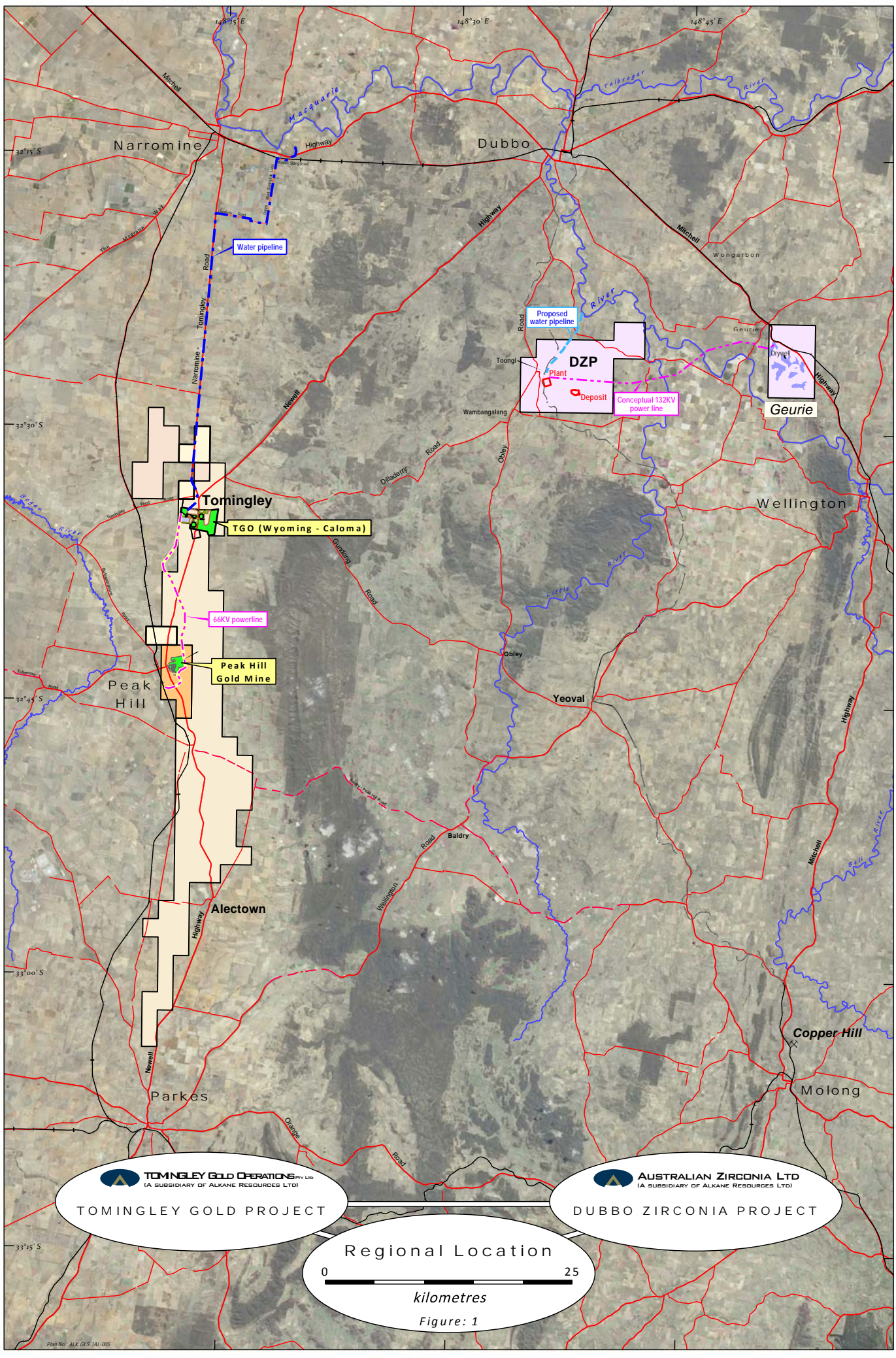
These Mineral Resources are based upon information compiled by Mr Terry Ransted MAusIMM (Alkane Chief Geologist) who is a competent person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Terry Ransted consents to the inclusion 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 (DZP) – 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
Probable	27.86	1.93	0.04	0.46	0.03	0.14	0.74
Total	35.93	1.93	0.04	0.46	0.03	0.14	0.74

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 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The reserves were calculated at a 1.5% combined ZrO₂+Nb₂O₅+Y₂O₃+REO cut off using costs and revenues defined in the notes in ASX Announcement of 16 November 2011. 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.

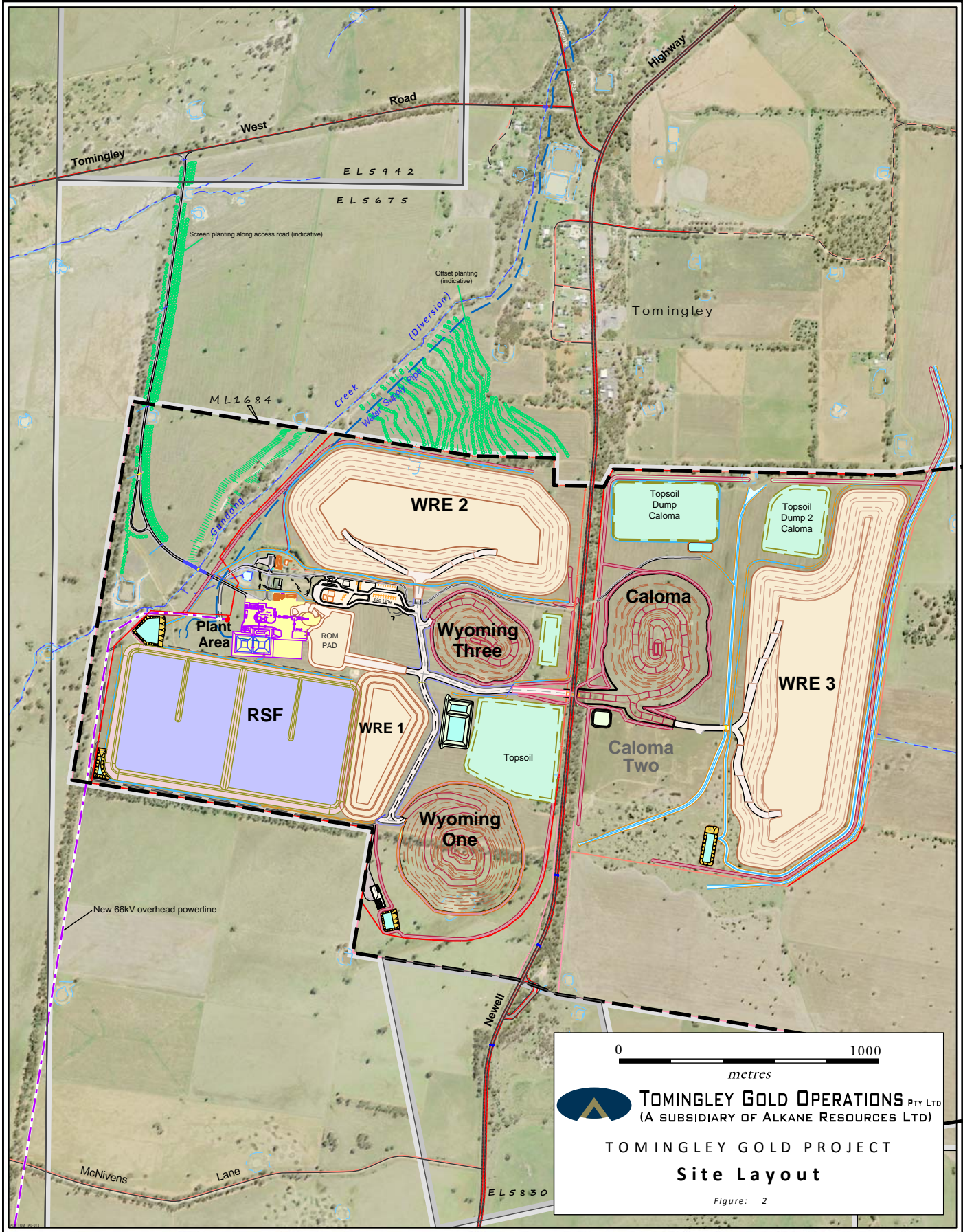
Note: ASX announcements 16 November 2011, 11 April 2013 and 30 October 2013 - the Company confirms that all material assumptions and technical parameters underpinning the estimated Mineral Resources and Ore Reserves, and production targets and the forecast financial information as disclosed continue to apply and have not materially changed.




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



0 1000
metres

TOMINGLEY GOLD OPERATIONS PTY LTD
(A SUBSIDIARY OF ALKANE RESOURCES LTD)

TOMINGLEY GOLD PROJECT
Site Layout

Figure: 2