

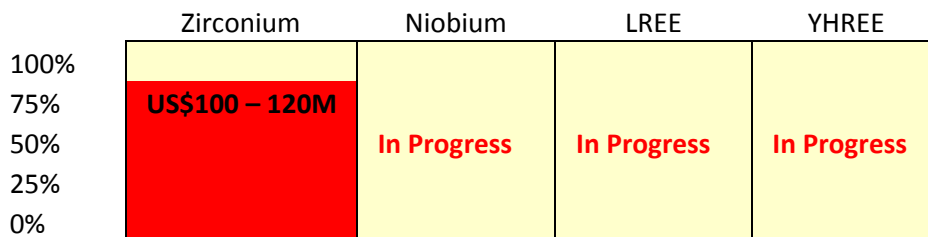


ASX ANNOUNCEMENT 26 JULY 2011
(ASX : ALK) (OTCQX : ANLKY)

**ALKANE SIGNS MOU WITH MINTECH FOR DZP
ZIRCONIUM VALUED AT US\$40-48M pa**

➤ **DUBBO ZIRCONIA PROJECT (DZP) - Second MOU**

- Alkane Resources Ltd has signed a Memorandum of Understanding (MOU) with Australia's Mintech Chemical Industries Pty Ltd (Mintech) for a joint venture to produce zirconium oxychloride (ZOC) at its existing plant at East Rockingham, Western Australia.
- The joint venture will undertake a scoping study to produce 10-12,000 tpa ZOC requiring 25% of the zirconium output from the expanded 1 million tpa development scenario of the DZP (half of the currently uncommitted 50%).
- At current prices, production of 10-12,000 tonnes of ZOC will generate revenue of US\$40 million to US\$48 million per annum.
- Alkane believes the signing of this MOU means that the DZP is now expected to be expanded to the 1 million tpa scenario.
- Output committed by current MOUs for 1Mtpa operation.



- Revenue estimates for 75% of zirconium production now exceed earlier estimates for 100% production. Zirconium revenue represents approximately 25-30% of annual DZP revenues.
- MOUs for other DZP products are at an advanced stage of negotiation and are expected to be finalised within the next few weeks.

Corporate Profile

Alkane Board

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

Contact

Ian Chalmers
Managing Director
Email: ichalmers@alkane.com.au

12 month share price range

A\$0.32 - \$2.73

Market Cap 25 July 2011

~A\$545million

ASX Code: **ALK**

269 million shares

OTCQX Code: **ANLKY**

ADR ratio 1:10

30 June 2011 Cash

Cash ~A \$18.3 million

No debt

Senior Management

Terry Ransted – Chief Geologist
Tony Wright – Commercial Manager
Mike Sutherland – GM NSW

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Alkane Resources Ltd has made another significant step forward in the development of the Dubbo Zirconia Project (DZP) through the signing of a non-binding Memorandum of Understanding (MOU) with Mintech Chemical Industries Pty Ltd (Mintech) for a joint venture to process and treat a zirconium chemical intermediate from the DZP to produce zirconium oxychloride (ZOC). Alkane has signed the MOU through its wholly owned subsidiary, Australian Zirconia Ltd (AZL).

Mintech has plant and equipment at its East Rockingham (Western Australia) site which currently uses ZOC, and previously produced other zirconium chemicals and zirconium dioxide products. Mintech has extensive chemical manufacturing expertise and a ready supply of low cost hydrochloric acid available nearby, which is a key reagent for producing ZOC.

The joint venture will undertake a scoping study to reconfigure the plant to produce 10-12,000 tpa ZOC, which will require half of the uncommitted 50% of zirconium output from the expanded 1 million tpa development scenario of the DZP (see ASX announcement 16 May 2011). At current prices this ZOC production would generate revenues of **US\$40 million to US\$48 million per year** which represents about 9 – 11% of the total revenue potential of the project. Revenue potential for existing MOUs which relate to ZOC now totals around **US\$100 million to US\$120 million per year**, representing around 25% of total projected DZP revenue. The scoping study, to which AZL is contributing \$50,000, will include a study of the ZOC market both domestically and overseas, and is expected to be completed within three months.

Alkane believes that the signing of this MOU is another key milestone for the Company and the development of the Dubbo Zirconia Project.

Other customer feedback for zirconium chemicals and zirconium dioxide powders from the DZP has been very positive, but the opportunity to produce ZOC has significantly expanded the sales and revenue potential for the project.

About Zircon and Zirconium Oxychloride

ZOC (36% ZrO₂) is the primary zirconium chemical used to produce most downstream zirconium chemicals, chemical zirconia (ZrO₂), and zirconium metal. Existing ZOC production relies on zircon as the key raw material for downstream zirconium products. China dominates world ZOC supply with a 90% share of the 200,000 tpa market, which is currently worth around **US\$800 million**. Approximately 40% of Chinese ZOC production is exported as ZOC or downstream zirconium chemicals and zirconia, while the remaining 60% is consumed in China. The total downstream zirconium market worldwide is forecast by TZ Minerals International Pty Ltd (TZMI) to reach **163,000 tpa of zirconia** by 2012, which will require **250,000 tpa of zircon** feed or approximately 18% of total zircon usage. The zirconium market is the highest growth market for zircon at around 11% per annum, and includes zirconium chemicals, chemical and fused zirconia, and zirconium metal.

At this growth rate, the zirconium market will require one DZP each year (1M tpa ore processed=15,000 tpa zirconia (ZrO₂)) to meet demand.

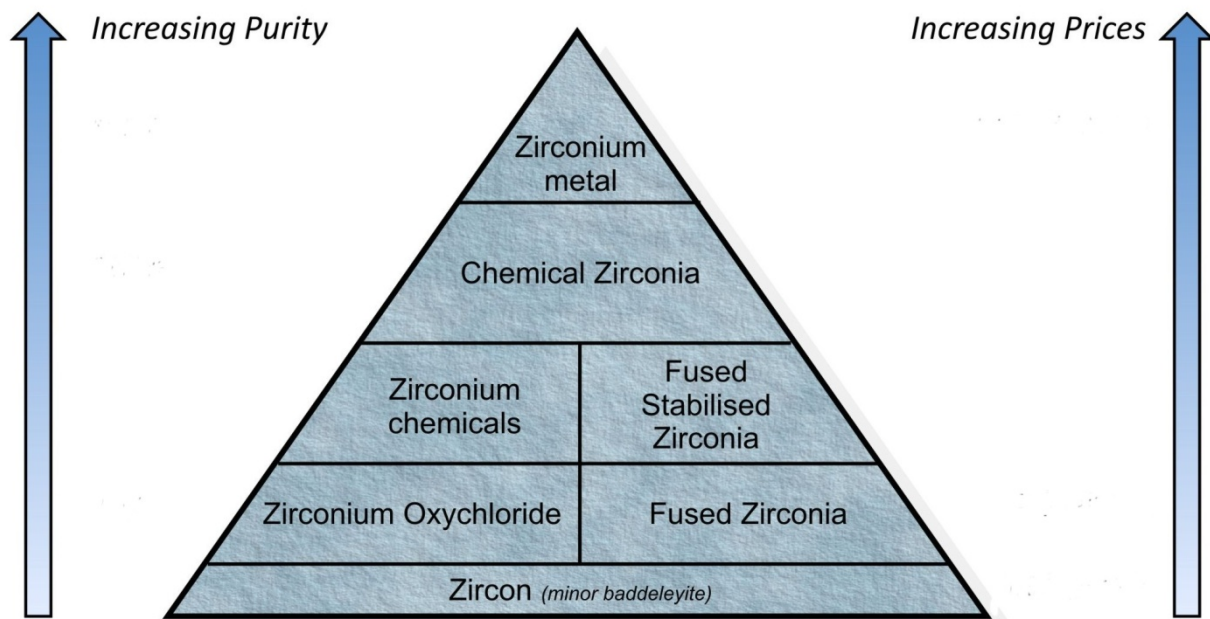
Strong zircon demand, combined with a flat to falling supply outlook, has fuelled a dramatic increase in zircon prices. Contracted zircon prices from mineral sands companies are US\$2,300-2,500/tonne in quarter three 2011, while spot prices reached RMB 21,000 per tonne (US\$3,200/t) or higher in China (17% VAT included) in early May. This has resulted in ZOC prices increasing by over 285% in the past year to approximately US\$4,000/t, FOB China for July deliveries. As ZOC contains 36% zirconia, the current ZOC price equates to approximately US\$11,100 per tonne of zirconia for July deliveries.

As a source of zirconium is critical, substitution is least likely in this market, with AZL's DZP, which is backed by a very long and sustainable mine life, being the only alternative to zircon for the immediate future.

Also see Table 2 in Alkane's Quarterly Report to the ASX 28 April 2011.



ZIRCONIUM MATERIALS PYRAMID



Other DZP production

Alkane is continuing to work on several other MOUs dealing with:

- additional zirconium chemical and zirconia production;
- the niobium concentrate and ferro-niobium products;
- the light rare earth concentrate; and
- the heavy rare earth concentrate.

The MOU on ZOC brings closer the development commitment for the DZP with a DFS expected to be released next month and production to commence possibly late in 2013 or early in 2014.

Mintech Chemical Industries Pty Ltd (www.mintech.com.au)

Established in 1995, Mintech is a privately owned Australian company which operates as five complementary divisions:

- **Chemical Manufacturing and Minerals Processing**
- **Chemicals for Mining / Drilling**
- **Oil&Gas / Chemicals and Support Services**
- **Trading / Import and Export / Bulk Shipments**
- **DG Storage, Logistics, Tank Hire**

Mintech is an ISO 9001 Certified, quality supplier to the mining industry, the oil/gas and energy sector, various government departments and the industrial chemical market generally.

Headquartered on the heavy industries strip in Kwinana, south of Perth, Western Australia, Mintech occupies a 5 hectare fully licensed Chemical Plant and Registered Mine Site. This comprehensive facility is home to:



- **multi-disciplined chemical production;**
- **mineral processing plant**
- **bulk liquid storage and decanting**
- **bulk solid storage and handling**

Mintech produces a wide range of Industrial Chemicals, Mining/Drilling and Minerals-Processing Reagents, Oil & Gas and general bulk/commodity chemicals.

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 2004 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.

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 \$3.3 million Commercial Ready Grant from AusIndustry in 2006 enabled the feasibility study to include the construction and operation of a Demonstration Pilot Plant. Development commitment is anticipated in Q4 2011 leading to production possibly in late 2013 or early in 2014.

The **Tomingley Gold Project** currently has a **650,000 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, Alkane has defined a 2 million tonne 1.00% copper Indicated Resource (details 2005 Annual Report) which is being reviewed for its development potential at **Galwagere** within the **Wellington Project**, and several other advanced exploration projects which have encouraging drill intercepts. New exploration targets have been identified at several other locations.

In **Western Australia** the Company hold a diluting 23% residual interest in a nickel sulphide joint venture with **Xstrata Nickel (Jubilee)** near **Leinster**.



Resource Statement July 2011

Dubbo Zirconia Project

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.

Tomingley Gold Project

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

Peak Hill Gold Mine

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		
0.5g/t gold cut off	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	k Ounces
	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	
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	Grade	Tonnage	Grade	Tonnage	Grade	Tonnage	Grade	k Ounces
	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	(t)	(g/t)	
Proprietary					810,000	4.40	810,000	4.40	114.6

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Wellington – Galwadgere

DEPOSIT	MEASURED		INDICATED	
0.5% Cu cut off	Tonnage	Grade	Grade	Tonnage
	(t)	(% Cu)	(g/t)	(t)
Galwadgere	-	-		2,090,000
				0.99
				0.3

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Moorilda – McPhillamys (ODEJV)

DEPOSIT	INDICATED			INFERRED			TOTAL			k Ounces gold	tonnes copper
	Tonnage (t)	Grade (g/t)	Grade % Cu	Tonnage (t)	Grade (g/t)	Grade % Cu	Tonnage (t)	Grade (g/t)	Grade % Cu		
McPhillamys 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

DEPOSIT	INDICATED			INFERRED			TOTAL			k Ounces gold	tonnes copper
	Tonnage (t)	Grade (g/t)	Grade % Cu	Tonnage (t)	Grade (g/t)	Grade % Cu	Tonnage (t)	Grade (g/t)	Grade % Cu		
McPhillamys 0.5g/t Au cut-off											
Inner Ore Zone	41,260,000	1.27	0.08	16,097,000	1.57	0.09	57,357,000	1.36	0.08	2,499.9	46,933
Outer Ore Envelope	2,169,000	0.69	0.03	1,338,000	0.62	0.03	3,507,000	0.66	0.03	74.6	1,170
Total	43,429,000	1.24	0.08	17,435,000	1.50	0.08	60,864,000	1.32	0.08	2,574.5	48,104

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