



7 May 2012

Australian Securities Exchange
2 The Esplanade
Perth WA 6000

Attn: Kerrie Papamihail

Dear Kerrie,

**Alkane Resources Ltd (ALK)
PRICE AND VOLUME QUERY**

In response to your letter of 7 May 2012, the Company provides the following answers to your questions:

1. The Company is aware of no information concerning it that has not been announced, which, if known, could be an explanation for recent trading in the securities of the Company.
2. As explained above, there is no information not in the market place or additional to that contained in recent announcements.
3. Other than the operation of normal market forces during a period of global economic uncertainty, the Company is not aware of any explanation for the negative price change and increase in volume in the securities of the Company.

To the contrary, the Company has recently announced a number of positive events including

- product development and recovery circuit enhancements, particularly for the very important heavy rare earth elements, for the Dubbo Zirconia Project continue (quarterly report dated 27 April 2012)
- potential for augmenting the Dubbo Zirconia Project resource inventory from the nearby Railway deposit (quarterly report dated 27 April 2012)
- an upgrade to the resource at Caloma at the Tomingley Gold Project (announcement dated 29 March 2012)
- removal of financial impost on the Tomingley Gold Project by means of buyout of the Compass Resources Ltd royalty (announcement dated 20 April 2012)
- extension of the mandate for a project finance and hedging facility for the Tomingley Gold Project (announcement dated 20 April 2012)
- completion of the three part capital raising totalling \$107 million to be applied towards the construction and commissioning of the Tomingley Gold Project, preparation of an Environmental Impact Statement and continuing development of the Dubbo Zirconia Project, working capital for general purposes and costs of the capital raising (quarterly report dated 27 April 2012 and various announcement since February).



4. On behalf of the Board, I confirm that the Company is in compliance with the listing rules, and in particular, listing rule 3.1.

Yours faithfully,
for **ALKANE RESOURCES LTD**

Karen E V Brown
Joint Company Secretary



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 2 The Esplanade
 PERTH WA 6000

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7 May 2012

Ms Karen Brown
 Joint Company Secretary
 Alkane Resources Limited
 65 Burswood Road
 BURSWOOD WA 6100

By facsimile: 9227 8178

Dear Karen

Alkane Resources Limited ("the Company")

PRICE & VOLUME QUERY

We have noted a change in the price of the Company's securities from a closing price of \$1.35 on 1 May 2012 to an intra day low of \$1.065 today. We have also noticed an increase in the volume of securities being traded.

In light of the price and volume change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price and volume change in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by facsimile to facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 5:30 pm (WST) today, Monday 7 May 2012.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

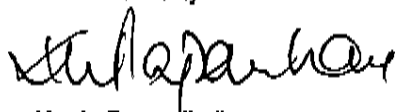
If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely



Kerrie Papantihail
Assistant Manager, Listings (Perth)