

30 October 2013



Quarterly Report to 30 September 2013

Rare Earth Recoveries up Significantly at Dubbo Pilot Plant Tomingley 85% Complete

➤ *Dubbo Zirconia Project (DZP)*

- Process development and optimisation have produced substantial improvement in rare earth recoveries.
- Overall rare earth recoveries have increased 22% to 5,974tpa up from 4,908tpa.
- Heavy rare earth recoveries jumped 43% to 1,309tpa from 911tpa.
- Significant gains were evident for the important critical metals dysprosium, terbium, neodymium, praseodymium and yttrium.
- These improvements have been achieved without additional operational cost and will add to the revenue of the Project.
- The EIS progressed to public exhibition on 18 September and will be available for review until 18 November.
- Community meetings have been held at Toongi and Dubbo.

➤ *Tomingley Gold Project (TGP)*

- Construction of the CIL plant and associated infrastructure is about 85% complete and the Project remains on schedule and within budget for February 2014 production.
- The contract for mining pre-strip has been awarded and the mining tenders are being assessed.
- Scheduling optimisation to maximise project returns continued.
- Caloma Two resource estimate is nearing completion.

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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 (Figure 1). 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.

Environmental Impact Statement (EIS)

The Environmental Impact Statement (EIS) went to public exhibition on 18 September and will remain open for submissions until 18 November. It can be accessed on the NSW Department of Planning and Infrastructure website http://majorprojects.planning.nsw.gov.au/index.pl?action=view_job&job_id=5251

Two community briefing meetings were held subsequent to the end of the Quarter. The local area meeting was attended by about 80 people at Toongi on Tuesday 22 October and a meeting at Dubbo was attended by about 40 on Wednesday 23 October. Key development issues were presented and discussed.

Process and Product Development

Process optimisation and improvement continued on the demonstration pilot plant (DPP) at ANSTO in Sydney and at the AML laboratory in Perth. The zirconium program has focused on the production of high purity, variable grain size zirconia (ZrO_2) for specific end use applications. Work on the purification of the niobium concentrate to facilitate production of high quality ferro-niobium in partnership with Treibacher has also commenced.

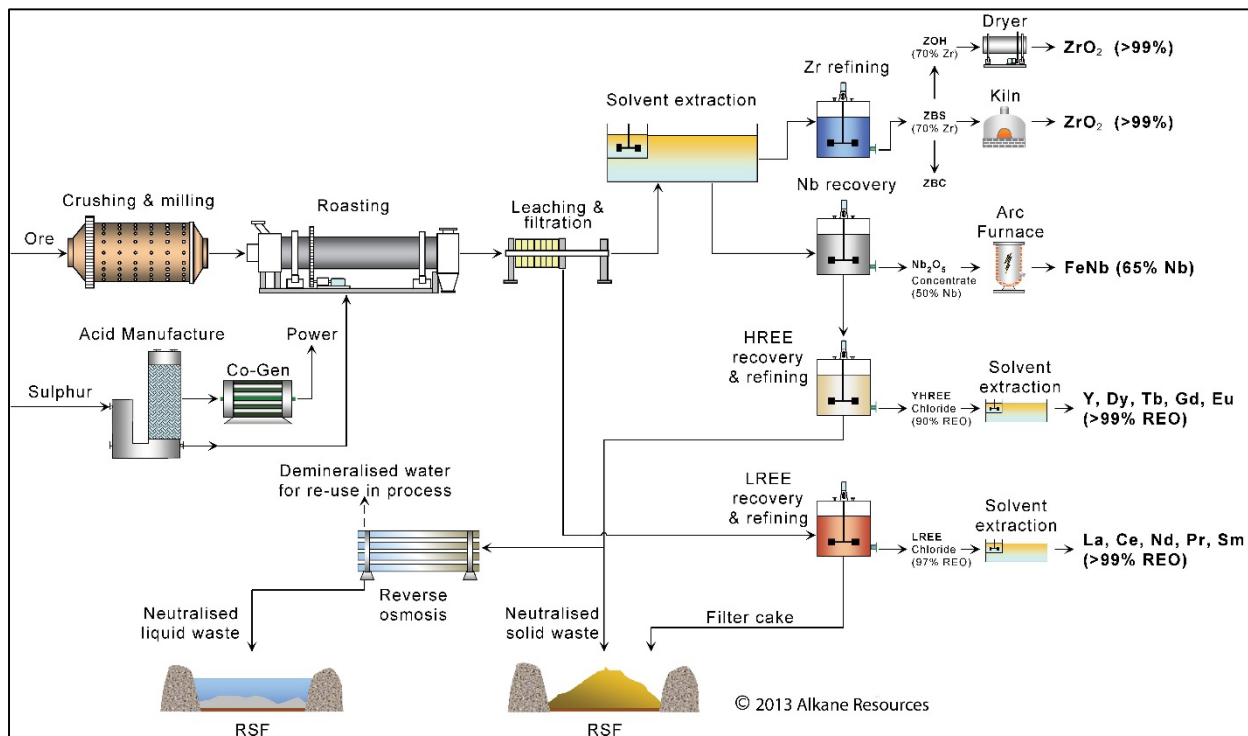


Figure 2 DZP Flowsheet

Substantial progress has been achieved with recoveries of all rare earth elements to the light rare earth chloride concentrate and heavy rare earth chloride concentrate. Processing of bulk feed solutions from the DPP through a modified flowsheet demonstrated a significantly improved recovery of a number of the



critical rare earths, such as dysprosium, terbium, neodymium and yttrium. The improved recoveries of heavy and light rare earths provide for a significant offset against the lower prices since last year.

Recent recoveries compared to the DFS results of April 2013:

	April 2013 %	Tonnage	Oct 2013 %	Tonnage
LREE	45 – 61	3,997	67 – 74	4,665
HREE	32 – 54	911	52 – 66	1,309
TOTAL		4,908		5,974

Table 1 Rare earth recoveries and estimated tonnage output at 1Mtpa ore processed

These improvements resulted in an overall increase of about 22% in total rare earth output, but very importantly an increase of about 43% for the heavy rare earths. No increase in operating costs is anticipated with these modifications and there should be a net benefit to revenue.

Marketing

Zirconium

The zirconium industry remains flat with zircon demand and price increases slowing after showing signs of recovery in Q2. The downstream zirconium industry is showing similar trends but is anticipated to pick up in 2014, unless the world financial situation does not improve.

Several zirconia samples have been distributed to end users in Japan and Europe for evaluation, and feedback received so far has been positive for major volume applications being targeted.

Rare Earths

The rare earth market is suffering similar slow demand and flat pricing. As with Q2 there is continuing evidence of the imbalance in the market with limited transactions for lanthanum, cerium and yttrium but noticeable interest in praseodymium, terbium and dysprosium.

A more sustained recovery for rare earths will require a more positive international economic outlook.

Niobium

For the first time in the last year or so, the ferro-niobium market showed signs of weakness, despite strong steel production output in China. Recent prices are stable around US\$40/kg per niobium unit.

Financing

The financing program led by Sumitomo Mitsui Banking Corporation (SMBC) and Credit Suisse (CS) is progressing with efforts directed at the broader potential for Export Credit Agency funding.

Engineering

Letters seeking Expressions of Interest (EOI) were sent to a number of major engineering companies to participate in the construction of the DZP operation. A strong response resulted in several quality submissions being received and the Company will progress to the evaluation phase for short list selection of preferred tenderers.

It is hoped that this process will be completed by Q1 next year to enable the appointment of the EPC/EPCM project engineers.



Major Milestones	2013				2014				2015				2016			
Product development & off-take																
Environmental Impact Statement																
Project Approval Process																
Project Financing Program																
EPC / EPCM tender → award																
Detailed design / Long lead orders																
CONSTRUCTION																
PRODUCTION																

TOMINGLEY GOLD PROJECT (TGP) - gold

Tomingley Gold Operations Pty Ltd (TGO) 100%

The TGP is based on three gold deposits (Wyoming One, Wyoming Three and Caloma) located 14 kilometres north of the Company’s Peak Hill Gold Mine, and approximately 50 kilometres south west of Dubbo (Figure 1). The Project received state development approval in July 2012.

Development

Construction commenced on the site after grant of the Mining Lease on 11 February 2013 and was proceeding on time and within budget at the end of the Quarter. Total construction activities are close to 85% complete with the ball mill and leach tanks in place, crushing complex proceeding and electrical wiring underway. The construction of the ROM pad and noise and visual bunds are in progress.

The Newell Highway underpass, connecting the Caloma deposit with the CIL on the west of the Highway, commenced construction in October and is scheduled for completion in January.

The Project is on schedule for commissioning in January with first production in February 2014.

Operations

Operational activities for the Quarter were focussed on mine scheduling and tender preparation. An \$11 million contract for the pre-stripping of the waste overburden from the three deposits has been awarded to local Dubbo company, Maas Civil Pty Ltd, and this operation will commence shortly.

Tender pricing for the mining equipment hire contract has been received and is being reviewed.

Schedule optimisation has continued to plan for efficient use of the mining fleet and to ensure optimum cash flow.

Financing

Alkane currently has the financial resources to fully fund the TGP development, but management continues to review alternative project finance options which would yield favourable terms to progress the Company’s overall development program.



CIL plant construction



Ore bin and ROM pad



Cyclone circuit on top of CIL tanks



Piling works for Newell Highway underpass

Resource Development

The Caloma Two geological model has been reviewed by an independent resource specialist and a JORC 2012 compliant resource will be completed shortly.

BODANGORA (copper-gold)

Alkane Resources Ltd 100%

A small RC program of 3 holes for 553 metres tested the Driell Creek Prospect where previous drilling had intersected altered volcanics, and alteration and minor mineralisation associated with monzonite intrusives. Results are awaited.

CUDAL (gold-zinc)

Alkane Resources Ltd 100%

Another small RC drilling program of 4 holes for 1128m tested the Kurrajong Prospect which is adjacent to a large aeromagnetic anomaly with altered monzonite intrusives. Results are awaited.

ELSIENORA (gold) and ROCKLEY (gold)

As previously advised (ASX Announcement 3 September 2013) Alkane acquired two projects, Elsiehora and Rockley located 75km south and 35km southeast of Blayney respectively. Both areas are considered prospective for McPhillamys style gold mineralisation.



WELLINGTON (copper-gold) and CALULA (base metals-gold) were inactive.

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 Quarter the Company continued the progressive disposal of its shareholding in Regis Resources Ltd, selling 11,200,311 RRL shares for a net \$43.5M. A total of 14,485,000 shares have been sold at an average price of \$3.95

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.

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.

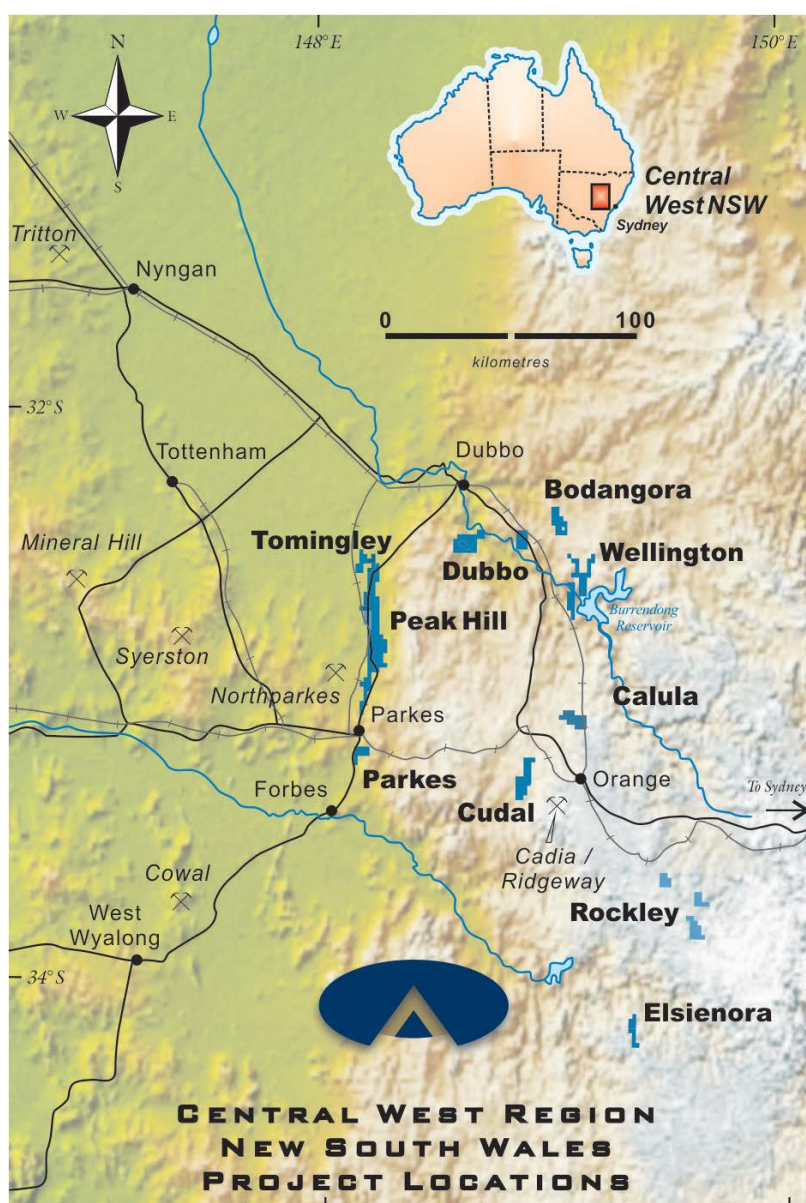


ABOUT ALKANE - www.alkane.com.au - ASX: ALK and OTCQX: ANLKY

Alkane is a multi-commodity company focused in the Central West region of NSW Australia. Currently Alkane has two projects heading towards production in 2014/2016 - the Tomingley Gold Project (TGP) and the nearby Dubbo Zirconia Project (DZP). Tomingley received project approval for its development early 2013 and is scheduled to commence 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 early 2014. This project will make Alkane a strategic and significant world producer of zirconium products and heavy rare earths.

Alkane's most advanced gold copper exploration projects are at the 100% Alkane owned Wellington and Bodangora prospects. Wellington has a small copper-gold resource 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.





Mineral Resource and Ore Reserve Statement December 2012

Dubbo Zirconia Project – Mineral Resources (2011)

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 – Ore Reserves (2012)

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 2004 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.

Tomingley Gold Project – Mineral Resources (2012)

DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		Gold (koz)
	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	
Top Cut 2.5x2.5x5.0m model									
Wyoming One	2,316,550	2.2	890,340	2.2	3,117,350	1.7	6,324,240	1.9	392.4
Wyoming Three	642,470	2.0	63,225	2.0	102,820	1.3	808,510	1.9	49.9
Caloma	2,690,530	2.3	567,860	2.1	2,194,490	1.9	5,452,870	2.1	369.4
Total	5,649,550	2.2	1,521,420	2.1	5,414,660	1.8	12,585,630	2.0	811.7

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 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). 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 2010, and this announcement.

Tomingley Gold Project – Ore Reserves (2011)

DEPOSIT	PROVED		PROBABLE		TOTAL		Ounces (minable)
	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	
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 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The Reserves and Resources are estimated at an effective A\$1,540 per ounce gold price. 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. The Caloma reserves are based on the 2009 resources, not the updated resources.

Peak Hill Gold Mine – Mineral Resources (2011)

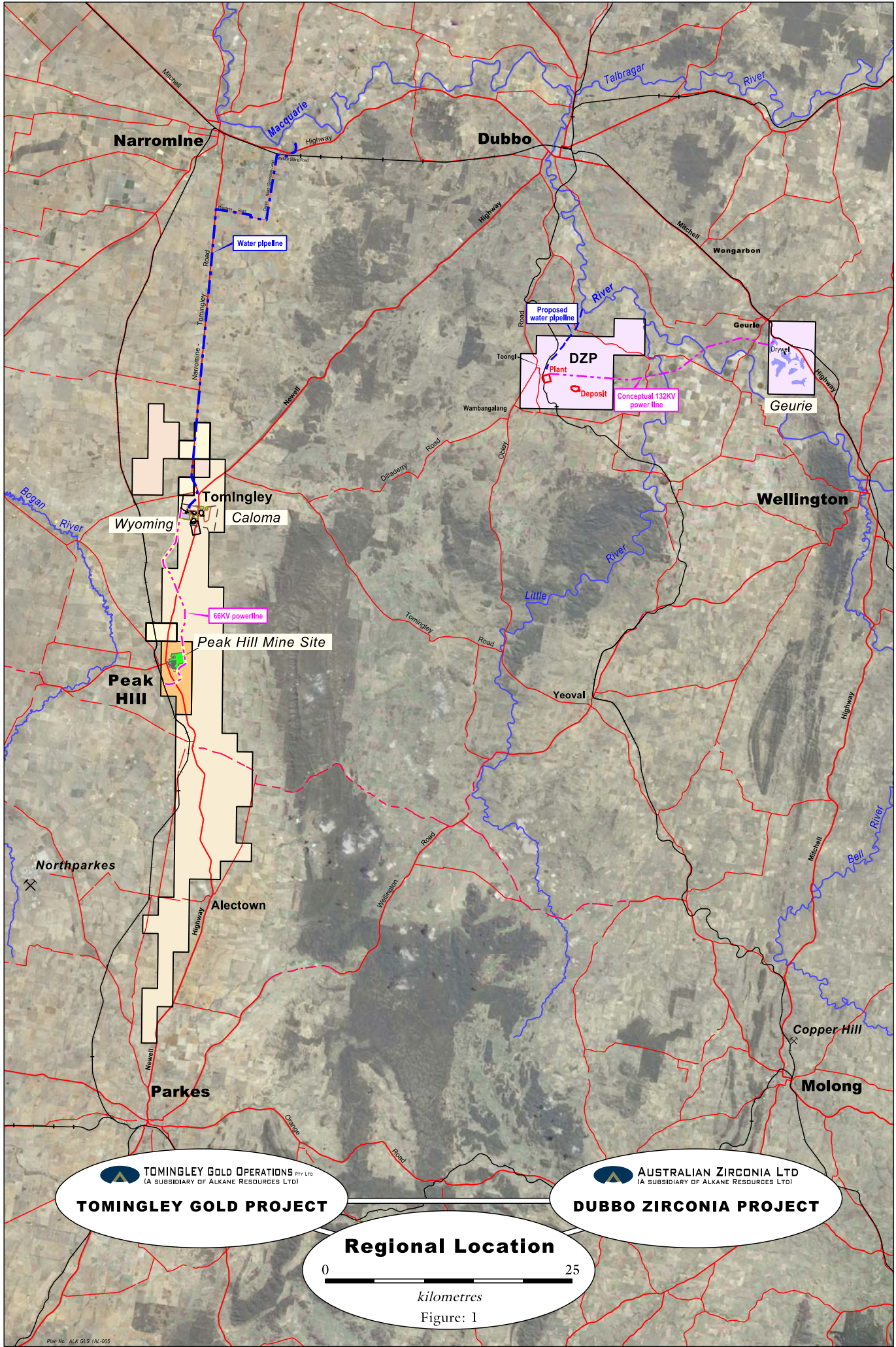
DEPOSIT	MEASURED		INDICATED		INFERRED		TOTAL		k oz
	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	Tonnage (t)	Grade (g/t)	
0.5g/t gold cut off			9,440,000	1.35	1,830,000	0.98	11,270,000	1.29	467.4
Proprietary					810,000	4.40	810,000	4.40	114.6
3.0g/t gold cut off									
Proprietary					810,000	4.40	810,000	4.40	114.6

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.

Wellington – Galwagere – Mineral Resources (2011)

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

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 2005 Annual Report.



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



kilometres

Figure: 1