Attention : ASX Company Announcements Platform

Lodgement of ‘Company Interview’

'COMPANY INTERVIEW'-MARKET PROFESSIONALS

Alkane Resources Ltd

Date of lodgement: 16/12/2013

TITLE: “Company Interview. Outlook for TGP & DZP in 2014”

Highlights:

- **Tomingley Gold Project on schedule & budget for gold pour in February.**
- **Maximising project returns from the TGP.**
- **TGP will generate $20m in free cash flow per annum.**
- **Several areas of project optimisation at Dubbo Zirconia Project.**
- **Greater recoveries restores financials to April DFS numbers despite falls in product prices for the DZP.**
- **Financials for the DZP remain very robust with revenue ~A$450 to $500 million per annum and strong operating margins with operating costs at ~A$200-220 million.**
- **Strong product markets expected.**
- **Review of EIS submissions.**
- **Several major events expected in 2014.**

Introduction

Alkane Resources is an ASX and OTCQX (US) listed multi-commodity mining and exploration company with a focus on gold, zirconium, niobium and rare earths. Its projects are located in the Central West of New South Wales, in eastern Australia.

Record of interview:

Company Interview question:

Alkane Resources Limited (ASX code: ALK; market cap of ~$130m) was about 85% complete with construction of its Tomingley Gold Project near Dubbo, New South Wales at the end of the September quarter. Now that we’re well into the December quarter, can you give an update on construction and the schedule, in terms of timetable and budget?

Managing Director, Ian Chalmers
At the end of November, construction was around 90% complete and we are on time and budget with plant commissioning expected to begin in the second half of December. Processing of ore should commence in February when we should also have the first gold pour.

Company Interview question:
You have been reviewing mining scheduling to maximize project returns. What are the results so far? Have you factored into the schedule the recently announced Resource at Caloma Two (1.7mt at 2.0 g/t for 109,300 ounces as per ASX announcement 12 November 2013)?

Managing Director, Ian Chalmers
The overburden stripping contract is underway and we have just awarded the mining contract with the 'dry hire' approach. That has allowed us to bring our mining costs down and to look again at optimising the mining schedule. We will complete the review soon with one of the main objectives to maximise the returns in the first two years of operation.

Caloma Two is not yet included in the mining schedule because we need to further assess the resource to see how we can incorporate it into the planning. The Caloma Two pit will overlap with the Caloma pit and we will have an idea in the next 6-12 months on how we will factor Caloma Two into the operation. Those two pits will merge and we also might try to bring on Caloma Two before we mine the biggest deposit, Wyoming One, because that pit has a large pre-strip.

Company Interview question:
What feedback do you get from investors on the overall attractiveness of the TGP?

Managing Director, Ian Chalmers
The feedback from investors is generally positive because the project will generate around $20 million in free cash flow annually at today's prices over our base case of seven and half years. That is quite significant given the current value of Alkane and the fact that the DZP is clearly our most important project.

The gold sector is currently being ignored by the investment community and there are a few people who discount the worth of the TGP in the context of the DZP being the main reason to invest in Alkane. While we agree that the DZP is the main game, we also think that the cash flow to come out of the TGP is still very important.

One aspect of the TGP providing cash flow is that it will open up further funding options for the DZP. For example, we may be able to access international bond markets if we need or want to.

Company Interview question:
Alkane is progressing with the pre-construction phases for its Dubbo Zirconia Project (DZP, Alkane 100%), near Dubbo, 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. Can you outline recent achievements in process development and optimization? What do you want to achieve? When will you decide that sufficient optimization has been achieved?

Managing Director, Ian Chalmers
The most significant improvements over the last 6 months have been with recoveries in the rare earths circuit. These have been dramatic, particularly in the heavy rare earths which has improved by over 40%. Importantly, these improvements have come at no additional capital or

operating cost because it has just been a case of improving the chemistry in the existing process, and this has been demonstrated on the pilot plant at ANSTO.

The additional 400 tonnes per annum of heavy rare earths that we can recover would translate to around A$30-50 million p.a. in revenue. That is seriously important. It has restored our revenue streams back to the levels of the April DFS using today's prices and effectively cancels out the recent price falls. The heavy rare earths are very important in a strategic sense and will assist with funding the Project.

We've also been working on producing additional zirconium products to diversify the revenue stream and we've been progressing with Treibacher to produce a high quality ferro-niobium product.

I don't think there's a limit in terms of improving the process at the product end of the plant because, even when the commercial plant is operating, we think we can continue to tweak the process and gain improvements in output and product quality.

Company Interview question:
Including these latest improvements, what is the estimate of the quantity of each product you expect to produce at the base case throughput of 1 million tonnes of ore per annum? What annual revenue and operating costs does that entail?

Managing Director, Ian Chalmers
Zirconium products are expected to account for about 30% of annual revenue (15,800 tonnes), niobium 16% (1,970 tonnes), light rare earths 24% (4,665 tonnes) and heavy rare earths at 30% (1,309 tonnes). As I explained before, the big increase has come in the heavy rare earths through improved recoveries. That is a big win.

Annual revenues for the DZP are expected to be around A$450-500 million based on a US$ to A$ exchange rate of 0.85, with operating costs at around A$200-220 million. We don't think revenue will be lower than A$450 million and the risk is on the upside of that range if prices trend back to long term and sustainable pricing. We're also continuing to look at ways to reduce the operating costs.

Company Interview question:
What is the latest news on the markets for each main product? Which of your products do you expect to be in oversupply or undersupply in future years?

Managing Director, Ian Chalmers
The niobium market is growing by about 10% per annum based on its application in specialty steels and we expect that to continue. The zirconium market has taken a bit of a hammering in the last 12-18 months because of the world economy and zircon's dominant use in ceramics. We see this slowly improving through 2014 and into 2015. Everyone remains confident about the long term industry and we expect consistent growth in the future.

The rare earths sector is very complex. Some of the large volume rare earths such as lanthanum and cerium have a good chance of being oversupplied because of the production coming out of Molycorp and Lynas. That increased production will should cover Western World demand through to 2020. We therefore place very little value on the lanthanum and cerium production to come out of the DZP. Other light rare earths such as neodymium and praseodymium will potentially be in an undersupplied position through to 2020 and provide 90% of the light rare earth revenue for the Project.

We don't expect such a dramatic imbalance for heavy rare earths with most of the four key metals short or in balance. The key DZP products will be dysprosium and terbium for the magnet industry, which we expect to continue to grow strongly. There is a bit of a concern about yttrium and its application in LCDs being replaced by LEDs where yttrium is used, but in smaller quantities. However, the growth in LED usage is likely to counteract that. Yttrium also has an expanding application in zirconia ceramics.

In summary, we are very positive for our product markets in the medium to longer term. There just isn't a great deal of new supply coming onto the market in the next few years apart from the DZP and the increased supply of the lanthanum and cerium from Molycorp and Lynas as mentioned.

Company Interview question:
What is the latest development timetable and milestones for the DZP? How well is each of the components progressing?

Managing Director, Ian Chalmers
We're on track and the key now is the project approval in the middle of next year. The EIS has been through public exhibition and we are working through the review process. The next important event is the appointment of a contract engineer to undertake the Front End Engineering and Design (FEED), which will be a detailed program over 6-9 months in 2014. This will allow a bankable capital cost to be determined, also to fine tune the operating cost and put together construction plans.

These will continue in parallel with the financing program. We hope that the financing arrangements will be staged over next year, with the total financing package in place by the end of 2014. As it will be staged, we believe we will be able to commence construction in the December quarter 2014 and with production in the first half 2016.

Company Interview question:
Can you give more detail on the process of the Environmental Impact Statement (EIS) for the DZP which has closed for public submission on November 18? Have you received any submissions which may delay the progress on the project?

Managing Director, Ian Chalmers
The EIS is a very large, complex and thorough document. Therefore some have found it difficult to get simple answers to queries they might have. There have been a number of submissions from individuals, non-government organisations and government agencies.

At this stage we do not believe there are any major issues which will alter the timetable to any extent. We are working our way through and addressing each submission.

Very early on we identified the transport of reagents onto the site as one of the crucial issues to manage from an environmental/social perspective. We are still evaluating the alternatives of rail and road, as the rail option is complex and is currently subject to a very detailed review. It's hard to explain and we therefore currently have a section on the Alkane website to describe the transport options. We're working hard on this and believe we will have viable, workable solutions. The other main issues are a little more standard such as dust control and water management. We've covered the radioactivity issue very well and there are no major submissions in that area.

The EIS may go to a Planning Assessment Commission review, which is a stage past the normal assessment by the Department of Planning and Infrastructure. This has been allowed for in our timetable.

Company Interview question:
What is Alkane's funding position? How much more capital remains to be spent on the TGP? What is emerging as the preferred funding option for the DZP?

Managing Director, Ian Chalmers
At the end of September we had around $70 million in the bank plus around 3 million Regis shares worth around $9M at current prices and at that stage we estimated we had another $40 million to spend on Tomingley to get into production. We have no debt.

There are four inter-related options for funding the DZP and that hasn't changed in the last couple of years. Firstly, we have the option of selling down 10-15% or thereabouts of the project to a strategic investor or investors. That would also be a trigger for other funding options to come into play such as Export Credit Agency (ECA) or government assistance packages. When those two are in place we will finalise bank debt and Alkane equity components. To ensure a seamless completion of the FEED program in the first half of next year and maintain the construction timetable for the DZP, we may consider some interim funding options. These expenditures are part of the budgeted project capital cost.

Company Interview question:
Can you talk through Alkane's summary objectives for 2014? Why do you think Alkane could be a good performer in the stock market next year?

Managing Director, Ian Chalmers
We expect 2014 to be a major year for Alkane. The TGP will come into production in February and provide solid cash flow. We expect a re-rating of Alkane when the market sees production and cash flow are a reality. Then there's project approval for the DZP around mid-year and progress on marketing and formalising MOUs into more formal off-take agreements.

Also around mid-year we hope to be able to confirm a strategic sale of a small equity in the DZP. That will be extremely important to give a guide on the value of the DZP which is significantly more than currently factored in Alkane's market capitalisation. That should be another trigger for a major re-rating of Alkane. We'll then finalise funding of the DZP and begin construction near the end of the year.

Company Interview
Thanks Ian.