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Alkane Exploration Ltd (ASX code – ALK) has just announced several high grade intersections at the Wyoming gold deposits within the Tomingley Gold Project (ALK 100%) near Dubbo, NSW. To what extent do the results support the objectives of the drilling program so far?

Technical Director Ian Chalmers

We'd previously concentrated on making the Wyoming deposits into a bulk mining operation producing about one million tonnes per annum. However, that type of project didn't stack up in a financial sense and, as we said in the June quarterly report, we're now looking at how can we exclude some low grade areas from the mineable resource and we're also further investigating the potential for high grade shoots which ultimately could be mined underground.

What do the results mean so far? We're very encouraged by the results although at this stage it's still a little bit early to say what it's going to mean in terms of a bulk grade. It does suggest that the overall grade could improve with reduced tonnes, but we do have to do more work to confirm that. However, more importantly, the results are confirming the model of high grade shoots that could be mined underground. The geometry and dip are also favourable for this mining scenario.

We wanted to test at least two high grade areas in Wyoming One using a simple technique known as grade metre contours. This technique is used to project the orientation of high grade shoots and we found that the intercepts came in pretty much as we expected. The first area was the Hangingwall Zone, which is quite a separate zone to the large porphyry body and the second area

was the '376' structure which is one of a series of east-west structures that cut across the porphyry.

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Can you step through some of the results and how they compare with intersections from previous drilling campaigns?

Technical Director Ian Chalmers

Within the Hangingwall Zone the best hole was the one that targeted the core of this high grade structure. That was a 17 metre intersection grading 4.72 g/t gold and there were higher grade zones within that. The closest hole drilled to that is probably around 80 metres away and that returned 13 metres at 4.3 g/t. So this 17 metre intersection is the best we've ever got in the Hangingwall Zone. However, in light of our model, that's what we expected.

The results from the '376' structure were a mixed bag. In the past we've recorded some quite spectacular drill holes and then, in the same geological structure maybe 50 to 100 metres away, you can get quite a moderate grade intersection. I think that just demonstrates the nature of any gold deposit. What should be noted however, is the continuity of the mineralised structure.

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How far through the program are you at Tomingley Gold Project? What remains to be tested?

Technical Director Ian Chalmers

We've completed the RC drilling program for now although we have also prepared for two deeper diamond drill holes, one of which will target the high grade Hangingwall Zone about 100 metres vertically below the last, deepest intercept. The core component of that hole is scheduled to commence in late October and if that comes in, it would indicate a fairly substantial resource in that part of the Hangingwall Zone.

In the '376' structure we're doing the same thing. We've precollared a diamond core hole targeting about 75 to 100 metres below the previous deepest intersection and the results of that hole will be quite important as well because it will not only demonstrate the grade and depth extension of the '376' structure but it will also penetrate through a number of other high grade zones within the porphyry.

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It's clear that the positive results generated by this drilling program continue to support the continuity of high grade shoots within Wyoming One. What can you now say about the grade and dimensions of the high grade shoots? Have you identified any additional high grade shoots?

Technical Director Ian Chalmers

Again, it's hard to be definitive because we haven't fully analysed the results. However, in the Hangingwall Zone, we now believe we have a high grade shoot that's at least 100 metres long and with substantial widths. It looks as though it could have widths in the order of 5 to 10 metres and that indicates a good size shoot in terms of tonnes per vertical metre. Obviously, the key to its ultimate size is how deep it goes.

The '376' structure is more finite in length. It's probably only 50 to 75 metres in length but we believe that there could be as many as five similar structures stacked within the porphyry. So we might end up with a cumulative strike length of 250 metres, in five separate structures, with true widths of anywhere between two and five metres. Those dimensions also suggest reasonable size resources tonnages.

It's too early to put a grade on these areas but certainly the grades from the recent drill intersections look encouraging.

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The current resource for Wyoming One is 6.38 million tonnes at 2.43 g/t containing 498,000 ounces of gold. When do you expect to have a new resource? Is it likely the new resource will be smaller in tonnes but higher in grade, or could the latest drilling support a similar size resource to the current, in tonnes, but of a higher grade?

Technical Director Ian Chalmers

We're currently working on another resource model which will hopefully eliminate some of those lower grade zones within the bulk ore body. That could lift the overall grade and we'll aim to get something out by around December. It's less likely that we'll be able to maintain the overall tonnes and lift the grade at the same time. However, higher grades should make a significant difference to the overall economics of the project.

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You also reported several intercepts from Tomingley Two including 3 metres at 4.59 g/t. The other intersections were generally in the 1-2 g/t range. Do these results give you sufficient encouragement to pursue Tomingley Two, particularly when it is under 50 metres of clay cover?

Technical Director Ian Chalmers

Not at this time. The idea with the two holes at Tomingley Two was to test the structural control of the mineralisation to see if that confirmed our model and to make it a little easier to look at the overall potential of Tomingley Two in the future. Unfortunately one of the holes failed to penetrate the clay cover and ultimately we will have to re-drill that. So the short answer is Tomingley Two is not a high priority target. It's something we'll get to eventually but not in the short term.

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You also reported 6 metres at 2.25 g/t from Patons East. Why do you feel this might be a significant new target within the Tomingley Gold Project?

Technical Director Ian Chalmers

This is interesting because it was almost discovered by accident. During the reconnaissance program earlier this year, we decided to drill some holes about 1.2 km to the east of Wyoming Three just to test the broader stratigraphy. One of the holes actually hit feldspar porphyry, the same feldspar porphyry we see at Wyoming One and Wyoming Three that appears to host good mineralisation. This hole only returned a moderate intersection of about half a gram per tonne but it was interesting enough to follow up. In the latest program, we drilled a

couple of lines either side of it, one of which generated that intersection of six metres at 2.25 g/t. That is the sort of intersection we got in the early days at Wyoming One and Wyoming Three. There's still probably 30 metres of cover at Patons East but the fact that we've encountered feldspar porphyry, there's some alteration over a couple of hundred metres and it's separate to the Tomingley structure makes it quite an important discovery. It opens a new target zone.

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Alkane's two other major projects are the Dubbo Zirconia Project and the Galwadgere Project (100%) which is located about 80km to the east of Tomingley. Non-JORC resources at Galwadgere range from 6 million tonnes at 1% copper, containing 60,000 tonnes copper, through to 1.7 million at about 1.7% copper and down to 150 metres. What's the latest with your objective of moving to a JORC-complaint resource at Galwadgere?

Technical Director Ian Chalmers

The drilling program at Galwadgere has been underway now for a couple weeks although, for various reasons, we're about three weeks behind where we should be. The program should be completed late October and that means the results should flow in throughout November.

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Based on the current resources, Tomingley and Galwadgere have similar in-situ values at today's copper and gold prices. Which do you believe offers most upside for Alkane shareholders?

Technical Director Ian Chalmers

I've actually just done a similar calculation which puts a gold ounce equivalent on Galwadgere of about 430,000 ounces. So they are quite similar size resources at the moment. However, the reason we consider Galwadgere such a good project is the resource is virtually open in all directions, both down dip and along strike. We know there is a non-JORC compliant resource from the previous drilling and our current objective is to bring that to a JORC standard to prove that the project has some serious commercial merit and in the future we will try to extend that resource.

It's too difficult to say which is the best project. Wyoming is more advanced overall because we've commenced a pre-feasibility study and we now have some drilling results which we hope will improve the economics of that study. However, we believe that Galwadgere is also of the quality to justify pushing it pretty hard as well.

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Thank you Ian.

For further information on Alkane please call Ian Chalmers on (08) 9328 9411 or email ichalmers@alkane.com.au

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