Directors' Report

The Directors present their report on the consolidated entity consisting of Alkane Exploration Ltd (ACN 000 689 216) and the entities it controlled at the end of, or during, the year ended 31 December 2002.

DIRECTORS

The following persons were Directors of Alkane Exploration Ltd during the whole year and up to the date of this report:
I.R. Cornelius (Chairman)
D.I. Chalmers
L.A. Colless
H.D. Kennedy.
A.D. Lethlean (appointed 30 May 2002)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the course of the financial year were mining and exploration for gold, diamonds and other minerals. There has been no significant change in the nature of these activities during the financial year.

RESULTS

The net amount of consolidated loss of the economic entity for the financial year after income tax was $3,416,625 (2001 profit $470,008).

DIVIDENDS

No dividends have been paid by the Company during the financial year ended 31 December 2002, nor have the Directors recommended that any dividends be paid.

REVIEW OF OPERATIONS

A review of operations for the financial year, together with future prospects which form part of this report are set out on pages 3 to 11 of the Annual Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The state of affairs of the Company was not affected by any significant changes during the year.

EVENTS SUBSEQUENT TO BALANCE DATE

Other than as reported in the financial statements, no matters or circumstances have arisen since the end of the financial year and to the date of this report which significantly affected or may significantly affect the operations of the Company, the results of the Company, or the state of affairs of the Company in the financial years subsequent to the financial year ended 31 December 2002.

LIKELY DEVELOPMENTS

The Company intends to continue exploration on its existing tenements, to acquire further tenements for exploration of all minerals, to seek other areas of investment in the resources industry and to develop the resources on its tenements.

ENVIRONMETAL REGULATION

The consolidated entity is subject to significant environmental regulation in respect to mining and exploration activities. These are dealt with in detail in the Annual Report in the Review of Operations and on page 28.

PARTICULARS OF DIRECTORS

Ian Raymond (Inky) Cornelius (Chairman)

Mr Cornelius, 62, has had over 40 years experience in the minerals and petroleum industry. He spent the first nine years of his career with the Western Australian Department of Mines before leaving to manage his own tenement consulting business. Since 1976 he has held senior executive positions in a number of public exploration and mining companies. In this capacity he has had extensive experience and success in the selection, management and development of deposits of many commodities.

David Ian Chalmers

Mr Chalmers, 54, is a geologist and graduate of the Western Australian Institute of Technology. He also has a Master of Science degree from the University of Leicester in the United Kingdom and is a Fellow of the Australasian Institute of Mining and Metallurgy, Fellow of the Institute of Mining and Metallurgy (UK), Fellow of the Society of Economic Geologists (US), Fellow of the Australian Institute of Geoscientists and a Fellow of Australian Institute of Company Directors. He has worked in the mining and exploration industry for over 30 years, many with major international corporations, during which time he has had experience in all facets of exploration through feasibility and development to the production phase. He is currently a principal in Multi Metal Consultants Pty Ltd and is also a director of AuDAX Resources Ltd.

Lindsay Arthur Colless

Mr Colless, 57, is a Chartered Accountant with 15 years experience in the profession and a further 24 years experience in Commerce, most of which in the mineral and petroleum exploration industry in the capacities of financial controller, company secretary and director. He is a director and/or secretary of a number of public listed companies and is also secretary of the Company.

Mr H.D. (David) Kennedy

Mr Kennedy, 67, has had a long association with Australian and New Zealand resource companies and as a technical director has been instrumental in the formation and/or development of a number of successful listed companies, including Pan Pacific Petroleum NL, New Zealand Oil and Gas Limited, Mineral Resources (NZ) Ltd and Otter Exploration NL. As Chairman and Chief Executive of Kiwi International Resources NL and Associated Gold Fields NL, Mr Kennedy was involved in the discovery and development of the Obotan gold project in Ghana prior to the companies being merged with Resolute Samantha Ltd in May/June 1996. He is also a director of two listed overseas companies and the following Australian listed companies: Dragon Mining NL, Norwest Energy NL, Pancontinental Oil & Gas NL and Sub-Sahara Resources NL.

Mr A D Lethlean

Mr Lethlean, 39, is a geologist with 10 years mining experience including 4 years underground on the Golden Mile in Kalgoorlie. In later years Mr Lethlean has been working as a resources analyst with various stockbrokers and currently consults to W H Ireland in Sydney. Mr Lethlean joined the Board of Alkane as a non-executive director in May 2002.

DIRECTORS' BENEFITS

Since the end of the previous financial year no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the accounts of the Company) because of a contract made by the Company or a related body corporate with the Director or with a firm of which the Director is a member or with an entity in which the Director has a substantial financial interest other than:

a) consulting fees of $165,400 (2001 $120,000) paid or due and payable to Goldtrek Pty Ltd as trustee for the Lewis Trust of which Mr Cornelius is a beneficiary for services provided in the normal course of business and at normal commercial rates.

b) geological consulting and management fees of $398,093 (2001 $474,609) paid or due and payable to companies in which Mr Chalmers has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.

c) administration, accounting and secretarial fees of $138,900 (2001 $111,600) paid or due and payable to a company in which Mr Colless has a substantial financial interest for services provided in the normal course of business and at normal commercial rates.

d) amounts of $417,542 (2001 Nil) paid or due and payable to Goldseal Assets Pty Ltd, a company in which Mr Kennedy has a substantial financial interest for royalty payments from the Peak Hill Gold Mine in accordance with a purchase contract.

e) amounts of $65,200 ($30,400 since his appointment as a director) (2001 Nil) paid or due and payable to Rocky Rises Pty Ltd, a company in which Mr Lethlean has a substantial financial interest, for consulting services provided in the normal course of business and atnormal commercial rates.

DIRECTORS' INTERESTS

The interests of Directors in securities of the entity at 4th March 2003 are:

	Direct	Indirect	Options
I R Cornelius	7,500	1,626,284	2,004,127
D I Chalmers	3,600	737,000	2,020,300
L A Colless	4,040	196,784	2,001,949
H D Kennedy	-	9,159,653	1,068,502

DIRECTORS MEETINGS

The following sets out the number of meetings of the Company's directors held during the year ended 31 December 2002 and the number of meetings attended by each director.

Number of meetings held	8
Number of meetings attended by:	
I.R. Cornelius	8
D.I. Chalmers	8
L.A. Colless	7
H.D.Kennedy	5
A.D Lethlean (5 since appointment)	5

DIRECTORS' INDEMNITIES

During the financial year, Alkane Exploration Ltd paid a premium to insure the directors and secretary of the Company and its Australian based controlled entities. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the controlled entity.

SHARE OPTIONS

Options to take up ordinary shares in the capital of Alkane Exploration Ltd have been granted as follows:

Outstanding as at 4th March 2003	
Public issue	9,800,588
Exercised during year	1,500
Exercised since end of financial year	750

The above options are exercisable at 35 cents each at any time on or before 31 March 2005.

The following options exercisable at 34 cents each and were exercisable on or before 23 May 2002, expired during the year:

10,587,500

The following options are exercisable at 35 cents on or before 31 March 2005

Goldtrek Pty Ltd	1,000,000
Leefab Pty Ltd	1,000,000
Mineral Administration Services Pty Ltd	1,000,000

The following options are exercisable at 40 cents each on or before 24 May 2007

TW & J Ranstead	250,000
Rocky Rises Pty Ltd	250,000

The following are exercisable at 45 cents on or before 24 May 2004, or at 50 cents on or before 24 May 2006 or at 60 cents on or before 24 May 2007

Leefab Pty Ltd	1,000,000
Mineral Administration Services Pty Ltd	1,000,000
Goldtrek Pty Ltd	1,000,000
Sundowner International Limited	1,000,000

Other than the public issue options, none of the existing options are listed on Australian Stock Exchange Limited. No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Signed in accordance with a resolution of the Directors.

L.A. Colless
Director
Dated at Perth this 4th day of March 2003

Statements of financial performance

For The Year Ended 31 December 2002

	Note	Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
Revenue from ordinary activities					
Rent received		**14,145**	16,726	**14,145**	16,726
Sale of Gold		**10,254,567**	12,953,616	**10,254,567**	12,953,616
Silver sales		**25,911**	24,628	**25,911**	24,628
Sharetrading revenue		**967,609**	56,429	**967,609**	56,429
Interest received or due and receivable from other corporations		**115,903**	193,213	**106,643**	169,201
Other revenue		**3,901**	209	**10**	27
		11,382,036	13,244,821	**11,368,885**	13,220,627
Expenses from ordinary activities					
Administration expenses		**(1,046,794)**	(898,740)	**(898,243)**	(772,650)
Audit fees		**(23,000)**	(25,400)	**(23,000)**	(24,400)
Auditor - other services		**-**	(6,720)		-
Depreciation and amortisation		**(1,129,946)**	(312,661)	**(1,116,689)**	(293,667)
Cost of quoted shares sold		**(1,289,547)**	(288,444)	**(1,289,547)**	(288,444)
Gold production costs		**(9,134,808)**	(10,574,956)	**(9,134,808)**	(10,574,956)
Cost of assets sold		**(5,958)**	-	**-**	-
Exploration costs		**(774,701)**	(769,428)	**(281,499)**	(572,626)
Provision for investments		**25,000**	112,210	**25,000**	112,210
Provision for quoted shares		**109,136**	(11,856)	**109,136**	(11,856)
		(13,270,618)	(12,775,995)	**(12,609,650)**	(12,426,389)
Write down in value of tenements purchased by way of takeover of subsidiary companies in prior years		**(1,528,043)**	-	**(2,115,780)**	(263,639)
Profit (loss) from ordinary activities before income tax		**(3,416,625)**	468,826	**(3,365,545)**	530,599
Income tax attributable	2	**-**	-	**-**	-
Profit (loss) after income tax		**(3,416,625)**	468,826	**(3,365,545)**	530,599
Minority interests		**647**	1,182	**-**	-
Profit (loss) after income tax attributable to members of Alkane Exploration Ltd	14	**(3,415,978)**	470,008	**(3,365,545)**	530,599
Accumulated losses at beginning of financial year		**(11,632,702)**	(12,102,710)	**(11,455,459)**	(11,986,058)
Accumulated losses at end of financial year		**(15,048,680)**	(11,632,702)	**(14,812,004)**	(11,455,459)
Earnings per share		($0.03)	$0.004	($0.03)	$0.005

Statements of financial position

As At 31 December 2002

	Note	Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
Current Assets					
Cash		**1,390,657**	2,786,175	**1,350,271**	2,672,102
Receivables	3	**650,403**	1,096,363	**554,169**	1,011,987
Inventories	4	**2,597,230**	3,236,338	**2,597,230**	3,236,338
Investments	5	**1,699,040**	986,447	**1,538,277**	817,757
Total Current Assets		**6,337,330**	8,105,323	**6,039,947**	7,738,184
Non-Current Assets					
Investments	5	-	-	**8,824,542**	8,475,883
Property, Plant & Equipment	6	**856,699**	861,732	**570,667**	583,450
Other	7	**9,969,951**	10,073,615	**1,790,396**	1,910,727
Total Non-Current Assets		**10,826,650**	10,935,347	**11,185,605**	10,970,060
Total Assets		**17,163,980**	19,040,670	**17,225,552**	18,708,244
Current Liabilities					
Creditors and borrowings	8	**1,211,154**	1,248,751	**1,154,956**	879,595
Total Current Liabilities		**1,211,154**	1,248,751	**1,154,956**	879,595
Non-current Liabilities					
Creditors and borrowings	8	**115,736**	180,771	**115,736**	159,811
Total Non-current Liabilities		**115,736**	180,771	**115,736**	159,811
Total Liabilities		**1,326,890**	1,429,522	**1,270,692**	1,039,406
Net Assets		**15,837,090**	17,611,148	**15,954,860**	17,668,838
Equity					
Contributed equity	9	**30,766,864**	29,124,297	**30,766,864**	29,124,297
Accumulated losses		**(15,048,680)**	(11,632,702)	**(14,812,004)**	(11,455,459)
Total parent entity interest		**15,718,184**	17,491,595	**15,954,860**	17,668,838
Outside equity interests in controlled entities		**118,906**	119,553	-	-
Total Equity		**15,837,090**	17,611,148	**15,954,860**	17,688,838

The accompanying notes form part of these financial statements

Statements Of Cash Flows

For The Year Ended 31 December 2002

	Note	Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
Cash Flows from Operating Activities					
Rent received		**10,672**	16,726	**9,535**	16,726
Proceeds from gold & silver sales		**11,073,822**	12,575,673	**11,073,822**	12,575,673
Payments to suppliers		**(10,310,233)**	(11,811,123)	**(9,820,144)**	(11,989,800)
Other income		**-**	56,611	**-**	56,429
Interest received		**115,903**	193,213	**106,643**	169,201
Net cash from operating activities	16	**890,164**	1,031,100	**1,369,856**	828,229
Cash Flows from Investing Activities					
Proceeds of sale of plant, property & equipment		**2,754**	-	**-**	-
Purchase of plant, property & equipment		**(30,294)**	(153,134)	**(3,331)**	(145,275)
Proceeds from sale of investment securities		**971,296**	56,429	**967,609**	56,429
Payments for investment securities		**(132,349)**	(630,717)	**(132,349)**	(623,044)
Payments for loans to subsidiaries		**-**	-	**(2,464,440)**	(1,499,211)
Purchase of non-current assets		**-**	-	**-**	-
Exploration expenditure		**(3,299,655)**	(2,373,505)	**(1,261,743)**	(785,195)
Expenditure on mineral development		**-**	(109,791)	**-**	(109,791)
Net cash provided for investing activities		**(2,488,248)**	(3,210,718)	**(2,894,254)**	(3,106,087)
Cash Flows from Financing Activities					
Proceeds from issue of shares and options		**204,525**	1,000,350	**204,525**	1,000,350
Cost of share issues		**(1,958)**	-	**(1,958)**	-
Net cash flow from financing activities		**202,567**	1,000,350	**202,567**	1,000,350
Net increase (decrease) in cash held		**(1,395,517)**	(1,179,268)	**(1,321,831)**	(1,277,508)
Cash at beginning of year		**2,786,174**	3,965,443	**2,672,102**	3,949,610
Cash at the end of the financial year	15	**1,390,657**	2,786,175	**1,350,271**	2,672,102

The accompanying notes form part of these financial statements

Notes To The Financial Statements

For The Year Ended 31 December 2002

1. **Statement Of Accounting Policies**

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act, 2001. It is prepared in accordance with the historical cost convention, except for certain assets, which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

a) **Consolidation**

The consolidated accounts incorporate the assets and liabilities of all entities controlled by Alkane Exploration Ltd ("the Company") as at 31 December 2002 and the results of all controlled entities for the year then ended. Alkane Exploration Ltd and its controlled entities are referred to in this financial report as the economic entity. The effects of all transactions between entities in the economic entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated profit and loss account and balance sheet respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated profit and loss account from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control ceases.

b) **Income Tax**

Tax effect accounting procedures are followed whereby the income tax expense in the profit and loss account is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse. The current tax rates have been used for this purpose.

c) **Investments**

Investments in corporations other than related corporations are valued at the lower of cost or directors' valuation. Marketable securities held as inventory are valued at the lower of cost or net realisable value as determined in respect of each security holding. Dividend income is recognised in the profit and loss account.

d) **Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments maturing within less than two months.

e) **Depreciation**

Depreciation is provided on plant and equipment and is calculated on a straight line basis so as to write off the net cost of each asset during their expected useful life of 3 years.

f) **Joint ventures**

The economic entity's proportionate interests in the assets, liabilities and expenses of a joint venture have been incorporated in the financial statements under the appropriate headings. Where part of a joint venture interest is farmed out in consideration of the farminee undertaking to incur further expenditure on behalf of both the farminee and the economic entity in the joint venture area of interest, exploration expenditure incurred and carried forward prior to farmout continues to be carried forward without adjustment, unless the terms of the farmout indicate that the value of the exploration expenditure carried forward is excessive based on the diluted interest retained or it is not thought appropriate to do so. A provision is made to reduce exploration expenditure carried forward to its recoverable or appropriate amount. Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property.

Notes To The Financial Statements

For The Year Ended 31 December 2002

1. **Statement of Accounting Policies (Continued)**

g) **Mineral hedging and trading**

Hedging is undertaken in order to avoid or minimise possible adverse financial or cash flow effects of movements in the gold price. Premiums received or costs arising upon entering into forward sale, option and other derivative contracts intended to hedge specific future production, together with subsequent realised and unrealised gains or losses, are deferred until the hedged production is delivered. In those circumstances where a hedging transaction is terminated prior to maturity because the hedged production is no longer expected to be produced, any previously deferred gains and losses are recognised in the profit and loss account on the date of termination. If the hedging transaction is terminated prior to its maturity date and the hedged transaction is still expected to occur, deferral of any gains and losses which arose prior to termination continues and those gains and losses are included in the measurement of the hedged transaction. The gross values of the underlying derivative financial instruments entered into for hedging are not recognised in the financial statements.

h) **Royalties and other mining imposts**

Ad valorem royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystallises. Profit based royalties are accrued on a basis which matches the annual royalty expense with the profits on which the royalties are assessed (after allowing for permanent differences).

i) **Inventories**

Inventories of broken ore, concentrate, work in progress and metal are physically measured or estimated and valued at the lower of cost and recoverable amount (that is, net realisable value).

Cost comprises direct material. labour and transportation expenditure in bringing such inventories to their existing location and condition.

Recoverable amount is the amount estimated to be obtained from the sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

j) **Exploration expenditure**

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward where rights to tenure of the area of interest are current and;

i) the area has proven commercially recoverable reserves; or

ii) exploration and evaluation activities are continuing in an area of interest but have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

At the end of each financial year the Directors assess the carrying value of the exploration expenditure carried forward in respect of each area of interest and where the value is considered to be in excess of (i) above the value of the area of interest is written down or provided against.

k) **Mine buildings, machinery and equipment**

The cost of each item of buildings, machinery and equipment is written off over the expected economic life on a straight line method. Each item's economic life has due regard both to its own physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the item is located, and to possible future variations in these assessments. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments of major items and the current expected economic life is 4 years.

The total net carrying value of mine buildings, machinery and equipment at each mine property is reviewed regularly and, to the extent to which these values exceed their recoverable amounts, that excess is fully provided against/written down in the financial year in which this is determined.

l) **Mine properties**

Mine properties represent the accumulation of all acquisition, exploration, evaluation and development expenditure incurred by or on behalf of the entity in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the cost of that mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is provided for in the year in which it is incurred.

Notes To The Financial Statements

For The Year Ended 31 December 2002

1. **Statement of Accounting Policies (Continued)**

Costs are amortised proportional to the depletion of economically recoverable reserves. The net carrying value of each mine property is reviewed regularly and, to the extent to which this value exceeds its recoverable amount that excess is fully provided for/written off in the financial year in which this is determined.

m) **Remaining mine life**

In estimating the remaining life of a mine at a mining property for the purpose of amortisation/depreciation calculations, due regard is given to the volume of remaining economically recoverable reserves.

n) **Restoration, rehabilitation and environment expenditure**

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are accrued at the time of those activities and treated as exploration and evaluation expenditure.

Restoration, rehabilitation and environmental expenditure necessitated by the development and production activities are accrued on an ongoing basis over the production life of the mining activity and treated as costs of production

Restoration, rehabilitation and environmental obligations recognised include the costs of reclamation, plant and waste site closure, current and subsequent monitoring of the environment.

o) **Earnings per share**

Basic earnings per share is determined by dividing the operating profit after income tax attributable to members of Alkane Exploration Ltd by the weighted average number of ordinary shares outstanding during the year.

	Consolidated		Parent entity	
	2002	**2001**	**2002**	**2001**
	$	**$**	**$**	**$**
2. **Income Tax**				
a) Prima facie income tax expense on pre tax accounting reconciles to the income tax expense in the accounts as follows:				
Operating Profit (loss)	**(3,416,625)**	468,826	**(3,365,545)**	530,599
Income tax benefit calculated at 33% of operating profit (loss)	**(1,127,862)**	154,713	**(1,107,660)**	175,098
Add tax effect of permanent differences:				
Tax losses not brought to account as future tax benefits	**1,127,862**	(154,713)	**1,107,660**	(175,098)
Income tax attributable to operating profit (loss)	-	-	-	-
b) Future tax benefits.				
Certain future tax benefits have not been recognised as an asset:				
Attributable to tax losses, the benefits of which are not certain of realisation at 33%	**7,666,137**	6,538,275	**7,670,094**	6,562,434

c) The benefit will only be obtained if the economic entity derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised, continues to comply with the conditions for deductibility imposed by taxation legislation and there are no changes in tax legislation adversely affecting the economic entity in realising the benefit

	Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
3. **Receivables (Current)**				
Debtors including GST refunds	**650,403**	1,096,363	**554,169**	1,011,987
4. **Inventories**				
Ore stockpile and gold in circuit	**2,597,230**	3,236,338	**2,597,230**	3,236,338
5. **Investments (Current)**				
Quoted shares at cost	**1,868,693**	1,560,891	**1,868,693**	1,560,891
Less: Provision for diminution	**(1,168,123)**	(1,277,259)	**(1,168,123)**	(1,277,259)
Quoted shares at lower of cost or market	**700,570**	283,632	**700,570**	283,632
Shares in entities listed on overseas markets	**102,100**	102,100	**102,100**	102,100
Less: Provision for diminution	**(102,100)**	(102,100)	**(102,100)**	(102,100)
	-	-	-	-

Notes To The Financial Statements

For The Year Ended 31 December 2002

		Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
5.	**Investments (Current) continued**				
	Shares in unlisted entities	**45,000**	95,000	**45,000**	95,000
	Less: Provision for diminution	**(45,000)**	(95,000)	**(45,000)**	(95,000)
		-	-	-	-
	Interest bearing deposits	**998,470**	702,815	**837,707**	534,125
		1,699,040	986,447	**1,538,277**	817,757
	Investments (Non-current)				
	Shares in controlled entities (Note 14)	-	-	**6,115,565**	6,115,565
	Loans to subsidiaries	-	-	**5,629,003**	3,164,563
	Less: Provision for diminution	-	-	**(2,920,026)**	(804,245)
		-	-	**8,824,542**	8,475,883
6.	**Property, Plant And Equipment**				
	Property, plant & equipment - at cost	**1,084,336**	1,059,999	**689,761**	686,430
	Less: Accumulated depreciation	**(227,637)**	(198,267)	**(119,094)**	(102,980)
		856,699	861,732	**570,667**	583,450
7.	**Other (Non-Current)**				
	Exploration and Development Expenditure				
	Peak Hill Mine development costs	**5,462,481**	5,133,483	**5,462,481**	5,133,483
	Less: depreciation and amortisation	**(5,445,753)**	(4,345,178)	**(5,445,753)**	(4,345,178)
	Peak Hill Project acquisition and exploration	**4,772,822**	4,734,031	**(4,772,822)**	4,734,031
	Less: provision	**(4,272,822)**	(4,002,952)	**(4,272,822)**	(4,002,952)
	Accumulated contributions to other ongoing exploration projects	**10,664,022**	9,496,860	**2,122,266**	1,333,972
	Less: provision	**(1,210,799)**	(942,629)	**(848,598)**	(942,629)
		9,969,951	10,073,615	**1,790,396**	1,910,727

The Company's activities in the mining industry are subject to regulations and approvals including mining, heritage, environmental regulation, the implications of the High Court of Australia decisions in what is known generally as the "Mabo" and the "Wik" cases and any State or Federal legislation regarding native and mining titles. Approvals, although granted in most cases, are discretionary. The question of native title has yet to be determined and could affect any mining title area whether granted by the State or not.

		Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
8.	**Creditors and Borrowings (Current Liabilities)**				
	Trade creditors	**908,724**	1,196,513	**873,486**	838,875
	Provision for annual leave	**281,470**	40,720	**281,470**	40,720
	Motor vehicle lease liability	**20,960**	11,518	-	-
		1,211,154	1,248,751	**1,154,956**	879,595
	Creditors and Borrowings (Non-current Liabilities)				
	Provision for redundancy	**115,736**	159,811	**115,736**	159,811
	Motor vehicle lease liability	-	20,960	-	-
		115,736	180,771	**115,736**	159,811

* Macquarie Bank has guaranteed performance bonds to the Department of Mineral Resources in NSW for an amount of $450,000, which is secured by way of a deposit account with Macquarie Bank.

Notes To The Financial Statements

For The Year Ended 31 December 2002

	Parent entity 2002 Number	2002 $	2001 Number	2001 $
9. Share Capital				
Movements in issued capital				
Balance at beginning of year	**112,817,474**	**29,169,069**	111,816,474	28,168,719
Placement	**6,600,000**	**1,644,000**	1,000,000	1,000,000
Exercise of options	**1,500**	**525**	1,000	350
Balance at end of year	**119,418,974**	**30,813,594**	112,817,474	29,169,069
Less: Costs of Issues	-	**(46,730)**	-	(44,772)
As per Statement of Financial Position	**119,418,974**	**30,766,864**	112,817,474	29,124,297

The issue of 6,000,000 shares was a share swap with Resources Investment Ltd for an equivalent number of their shares. The funds raised by the sale of Resources Investment Ltd shares were utilised to further the Company's exploration projects and for general working capital. 600,000 shares were issued to Macquarie Bank as part of the settlement of their Net Profits Interest in the Peak Hill Gold Mine Project.

	2002 Number	2002 $	2001 Number	2001 $
Options - Listed				
Exercisable at 35 cents expiring 31 March 2005	**9,802,838**	-	-	-
Issued during year	-	-	9,803,838	-
Exercised during year	**(1,500)**	-	(1,000)	-
Balance as at 31 December	**9,801,338**	-	9,802,838	-
Options - Unlisted				
Exercisable at 34 cents expiring 23 May 2002				
Balance at beginning of year	**10,587,500**	-	10,587,500	-
Expired during year	**(10,587,500)**	-	-	-
Balance as at 31 December	-	-	10,587,500	-
Exercisable at 35 cents expiring 31 May 2005				
Issued during year	**3,000,000**	-	3,000,000	-
Balance as at 31 December	**3,000,000**		3,000,000	
Exercisable at 40 cents expiring 24 May 2005				
Issued during year	**500,000**	-	-	-
Balance 31 December		-	-	-
Exercisable at 45 cents between 25 May 2002 and 24 May 2004, at 50 cents between 25 May 2004 and 24 May 2006, or at 60 cents between 25 May 2006 and 24 May 2007.				
Issued during year	**4,000,000**	-	-	-
Balance 31 December	**4,000,000**	-	-	-

	Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
10. Remuneration Of Directors				
Total income received, or due and receivable by the Directors	-	-	-	-
Number of Directors whose remuneration was within the following bands:				
$0-$9,999	6	5	5	4

The names of Directors who have held office during the financial year are:

Alkane Exploration Ltd

Ian R Cornelius

D Ian Chalmers

Lindsay A Colless

H David Kennedy

Anthony D Lethlean

Notes To The Financial Statements

For The Year Ended 31 December 2002

The names of Directors who have held office during the financial year are:

Subsidiaries

LFB Resources NL
I R Cornelius
D I Chalmers
L A Colless

Skyray Properties Ltd (BVI)
L Thomas

Kiwi Australian Resources Pty Ltd
I R Cornelius
D I Chalmers
L A Colless

Australasian Geo-Data Pty Ltd
I R Cornelius
D I Chalmers
L A Colless

Australian Zirconia Ltd
I R Cornelius
D I Chalmers
L A Colless

Ventron Enterprises Ltd
L Thomas

11. **Segmental Information**

The economic entity operates predominantly in one geographic location. The operations of the economic entity consist of mining and exploration for gold, diamonds and other minerals within Australia.

12. **Related Party Transactions**

Directors

			Consolidated		Parent entity	
	Related party		**2002**	**2001**	**2002**	**2001**
Type of transaction	**-directors**	**Terms and conditions**	**$**	**$**	**$**	**$**
Management consulting	I R Cornelius	Normal commercial	**165,400**	120,000	**165,400**	120,000
Management consulting	D I Chalmers	Normal commercial	**55,000**	-	-	-
Geological consulting	D I Chalmers	Normal commercial	**338,093**	474,609	**203,894**	275,018
Financial, administration, accounting and Company Secretarial	L A Colless	Normal commercial	**138,900**	111,600	**119,400**	111,600
Consulting	A D Lethlean	Normal commercial	**65,200**	-	**65,200**	-
Royalty	H D Kennedy	Normal commercial	**417,542**	-	**417,542**	-

Shares and options

Aggregate number of shares and share options of Alkane Exploration Ltd acquired from the Company during the year by Directors or their director-related entities:-

	2002	2001
Ordinary shares	-	-
Options over ordinary shares	**4,000,000**	-

The number of options granted to Directors and the terms and conditions under which they were granted were approved by special resolutions at the general meetings of the Company. The terms and conditions are described in note 9.

Aggregate numbers of shares and share options of Alkane Exploration Ltd held directly, indirectly or beneficially by Directors or their director-related entities at balance date:

	2002	**2001**
Ordinary shares	**11,784,951**	13,014,578
Options	**7,094,878**	4,616,878

Notes To The Financial Statements

For The Year Ended 31 December 2002

13. **Commitments For Expenditure**

Mineral Tenement Leases

In order to maintain current rights of tenure to mining tenements, the Company will be required to outlay in 2002 amounts of approximately $986,500 (2002 $965,100) in respect of tenement lease rentals and exploration expenditures to meet the minimum expenditure requirements of the various Mines Departments in Australia. These obligations will be fulfilled in the normal course of operations.

14. **Controlled Entities**

Name	Inc	Cla	Book value 2002	Book value 2001 $	Equity 2002 %	Equity 2001 %	Contribution to Group 2002 $	Contribution to Group 2001 $
Ventron Enterprises Ltd	BVI	Ord	**250,000**	250,000	**100**	100	**(10,134)**	(26,361)
Australian Zirconia Ltd	WA	Ord	**1**	1	**100**	100	**(81,455)**	(29,098)
Skyray Properties Ltd	BVI	Ord	**2,300,000**	2,300,000	**100**	100	**(10,474)**	(12,305)
Kiwi Australian Resources Pty Ltd	NSW	Ord	**-**	-	**100**	100	**-**	-
LFB Resources NL	NSW	Ord	**3,558,700**	3,558,700	**100**	100	**(2,071,307)**	(253,102)
Australasian Geo-Data Pty Ltd	Qld	Ord	**6,864**	6,864	**74**	74	**(1,843)**	(3,364)
			6,115,565	6,115,565				
Contribution to Group Profit (Loss) after minorities							**(2,175,213)**	(324,230)
Parent –Alkane Exploration Ltd							**(1,240,765)**	794,238
Profit (loss) for year – group							**(3,415,978)**	470,008
Loans to (from) subsidiaries			**5,629,003**	3,164,563				
Provision for loss			**(2,920,026)**	(804,245)				
Parent net investment in subsidiaries			**8,824,542**	8,475,883				

15. **Reconciliation Of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments maturing within less than two months. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:

	Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
Cash at bank	**1,040,657**	2,432,071	**1,000,271**	2,322,102
Call deposits	**350,000**	354,104	**350,000**	350,000
	1,390,657	2,786,175	**1,350,271**	2,672,102

16. **Reconciliation Of Net Cash Outflow From Operating Activities To Operating Loss After Income Tax**

	Consolidated 2002 $	Consolidated 2001 $	Parent entity 2002 $	Parent entity 2001 $
Operating Profit (Loss)	**(3,416,624)**	468,826	**(3,356,545)**	530,599
Write down in value of tenements in subsidiaries	**1,528,043**	-	**2,115,780**	-
Charges to provisions	**1,192,485**	230,056	**1,179,228**	474,836
Exploration	**774,701**	769,428	**281,499**	572,626
Loss on share trading	**321,938**	232,015	**321,938**	232,015
Loss on sale of assets	**3,204**	135	**-**	-
Changes in net assets and liabilities	**486,417**	(669,360)	**827,956**	(981,847)
Net cash provided for operating activities	**890,164**	1,031,100	**1,369,856**	828,229

The Company has no credit standby or financing facilities in place other than disclosed on the statement of financial position.

Notes To The Financial Statements

For The Year Ended 31 December 2002

	Consolidated		Parent entity	
	2002	**2001**	**2002**	**2001**
	$	**$**	**$**	**$**
17. **Earnings Per Share ("Eps")**				
Basic earnings per share	**(0.03)**	0.004	**(0.03)**	0.004
	2002 Number	**2001 Number**	**2002 Number**	**2001 Number**
The weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**118,757,486**	**112,410,743**	**118,757,486**	**112,410,743**

The diluted earnings per share is not materially different from the basic earnings per share.

18. **FINANCIAL INSTRUMENTS**

(i) **Significant accounting policies**

Details of significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the accounts.

(ii) **Interest rate risk**

The following table details the Company's exposure to interest rate risk as at the reporting date:

		Average Interest Rate	Variable Interest Rate	Fixed Interest Rate Maturity Less than 1 year	Non-interest Bearing	Total
		%	$	$	$	$
2002	**Financial assets**					
	Cash	**3.85**	**1,005,625**	**-**	**35,778**	**1,041,403**
	Term deposit	**4.50**	**-**	**350,000**	**-**	**350,000**
	Security deposits	**4.45**	**-**	**241,884**	**14,000**	**255,884**
	Receivables	**4.15**	**736,851**	**-**	**1,392,989**	**2,129,840**
			1,742,476	**591,884**	**1,442,767**	**3,777,127**
	Financial liabilities					
	Accounts payable		**-**	**-**	**(908,724)**	**(908,724)**
			1,742,476	**591,884**	**534,043**	**2,868,403**
2001	**Financial assets**					
	Cash	3.37	2,378,313	-	53,758	2,432,071
	Term deposit	4.10	354,104	-	-	354,104
	Security deposits	3.99	463,811	225,004	14,000	702,815
	Receivables		-	-	1,096,363	1,096,363
			3,196,228	225,004	1,164,121	4,585,353
	Financial liabilities					
	Accounts payable		-	-	1,196,513	1,196,513
			-	-	1,196,513	1,196,513

(iii) **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

(iv) **Net fair value**

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 1 to the accounts.

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 14 to 24:

a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
b) give a true and fair view of the company's and controlled entity's financial position as at 31 December 2002 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

a) the financial statements and notes are in accordance with the Corporations Act; and
b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

L A Colless
Director
Perth, 4 March 2003

Independent Auditors' Report

To the Members of Alkane Exploration Ltd

Scope

We have audited the financial report of Alkane Exploration Ltd (the Company) for the financial year ended 31 December 2002 as set out on pages 14 to 25. The Company's directors are responsible for the financial report which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion the financial report of the Company is in accordance with:-

a) the Corporations Act, including:
    i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2002 and of their performance for the financial year ended on that date; and
    ii) complying with Accounting Standards and the Corporations Regulations; and
b) other mandatory professional requirements.

Rothsay
Chartered Accountants

G R Swan
Partner
Sydney, 5 March 2003