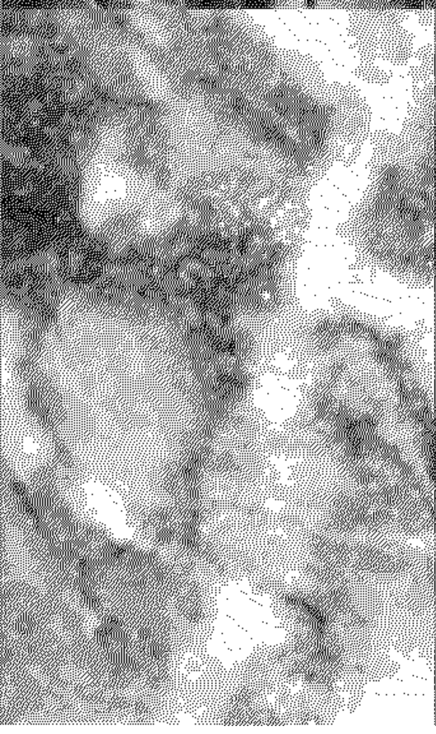
Annual Report 2002



ALKANE EXPLORATION LTD

ACN 000 689 216

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COMPANY INFORMATION

ALKANE EXPLORATION LTD

ACN 000 689 216 ABN 35 000 689 216

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CHAIRMAN'S REPORT

There was a continued cash flow from the Peak Hill Gold Mine (NSW) in 2002, although late in the year the oxide resources were depleted. Mining has now ceased, necessitating some write downs affecting group profits. The mine produced a cash surplus of $2.7 million for the year resulting in a profit of $43,000 after depreciation and amortisation. The consolidated entity showed an overall loss of $3.4 million after writing down the value of LFB Resources NL's tenements by some $2.5 million.

The Company, through its wholly owned subsidiary Australian Zirconia Ltd (AZL), completed the feasibility study on the Dubbo Zirconia Project located in the central west of New South Wales. The study recommended further test work by way of a demonstration pilot plant to produce sufficient product to secure long term sales contracts and to further demonstrate the processing flow sheet. The Japanese KMI Group decided not to exercise their option to acquire a 40% interest in the Project. However, the Company has been approached by other international zirconia producers expressing interest in joining the project, and negotiations are in progress.

Drilling at the Wyoming prospect near Tomingley, some 12 kilometres north of the Peak Hill minesite, continued to show very promising gold results, including an exciting intersection of 76 metres grading 9.06g/t gold. The Directors are very enthusiastic about this new discovery, and the Company has now commenced resource definition drilling at Wyoming. It is planned to produce a feasibility study by the end of 2003.

Mining at Peak Hill during the year has been mainly from the Bobby Burns and Crown pits, with Parkers also providing ore during the year. Although mining of the oxide resource at Peak Hill was completed in October, irrigation of the heaps and recovery of gold will continue for another 18 months to two years.

As part of the rehabilitation of the mine area, the Company has created a major tourist attraction called the Open Cut Experience (OCE). The OCE will provide visitors with a unique insight into historic and modern gold mining activities and will reflect Alkane's long term commitment to sustainable development and working with local communities.

Alkane continues its exploration and development focus on the Lachlan Fold Belt in New South Wales, which we believe still holds potential for significant new discoveries, such as our own Wyoming and the more well known Cadia-Ridgeway giant porphyry copper-gold systems. Our prospects include tenements with epithermal style gold, structural gold, volcanic hosted copper-lead-zinc and porphyry gold-copper mineralisation, all of which we plan to continue to evaluate during 2003.

I would like, once again, to thank my fellow directors, and our consultants, exploration team and gold operations management and staff for their continued efforts during the year.

The Board and I look forward to another exciting and successful period for the Company over the forthcoming year.

I.R. Cornelius

Chairman

REVIEW OF OPERATIONS

PEAK HILL GOLD MINE

Gold – New South Wales

Alkane Exploration Ltd 100%

The oxide mining operation of the Peak Hill Gold Mine was successfully completed during the year. The mine produced 19,127 fine ounces of gold for the year, bringing total project output to nearly 145,000 ounces, well above the original anticipated production level.

Costs for the year were $428 per ounce, while revenue was $571 per ounce generating a cash operating surplus of $2.7 million.

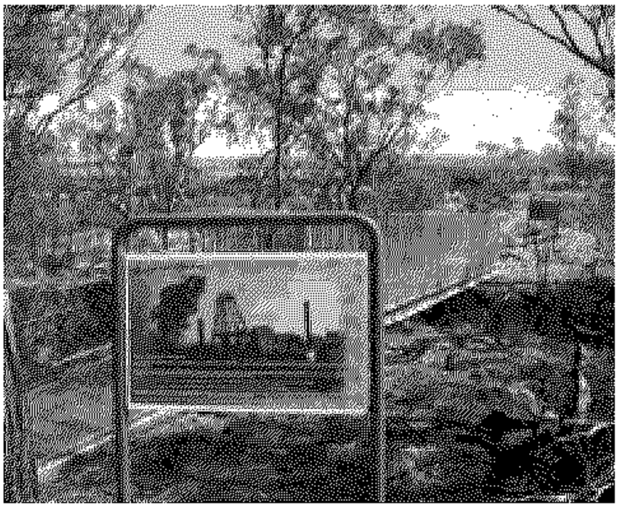
Ore feed for the year was sourced from the Bobby Burns, Parkers East and Crown pits. Over the life of the mine, reconciliation of drill indicated tonnes and grade to mined ore has generally been very good, and overall more ounces were recovered on a per level basis than anticipated by the models.

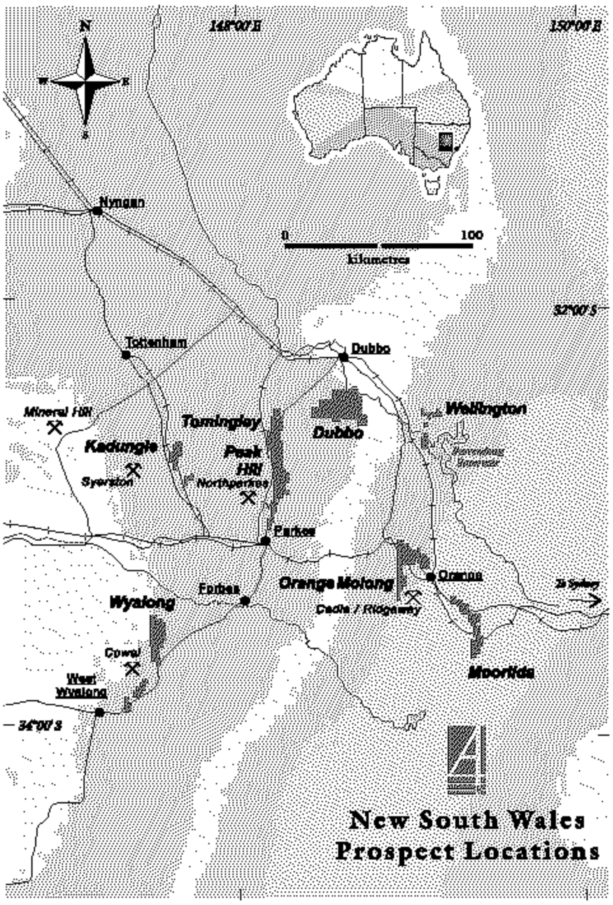
Mining Statistics:

OPEN CUT	2002	PROJECT TO DATE
Heap Leach Ore (tonnes)	220,484	3,384,677
Grade (g/t)	1.96	1.91
Dump Leach Ore (tonnes)	304,192	1,499,117
Grade (g/t Au)	0.65	0.78
Waste (tonnes)	597,205	5,248,695
Waste : Ore Ratio	1:1	1:1

Production:

LEACHING	2002	PROJECT TO DATE
Heap Leach (tonnes)	334,424	3,363,300
Grade (g/t)	1.56	1.80
Dump Leach (tonnes)	392,565	1,481,939
Grade (g/t Au)	0.75	0.78
Gold poured (fine ounces)	19,127	144,965





Leaching of existing heaps and dumps should continue with consequent gold production extending into 2004.

The mine closure plan was initiated late in the year once mining ceased. This resulted in rehabilitation of the waste rock emplacement, crushing-agglomerating-ore stacking facilities and the mine contractors' work area.

Exploration

With the anticipated wind down of operations at Peak Hill and the discovery of the Wyoming gold deposits 12 kilometres to the north of the mine, exploration in the immediate area was limited. The potential for new mineralisation will be reassessed from time to time. The large gold-copper sulphide body below the current open pits remains a major resource but again with the Wyoming discovery the evaluation of this complex mineralisation remains a lower priority.

IDENTIFIED MINERAL RESOURCES

Sulphide (Proprietary orebody only)	**0.5g/t gold cut off**			
INDICATED RESOURCES	9.44 million tonnes	1.35g/t Au	0.11% Cu	
INFERRED RESOURCES	1.83 million tonnes	0.98g/t Au	0.10% Cu	
TOTAL	11.27 million tonnes	1.29g/t Au	0.11% Cu	467,570 ounces
Sulphide (Proprietary orebody only)	**1.0g/t gold cut off**			
INDICATED RESOURCES	4.46 million tonnes	2.06g/t Au	0.16% Cu	
INFERRED RESOURCES	0.45 million tonnes	1.95g/t Au	0.23% Cu	
TOTAL	4.91 million tonnes	2.05g/t Au	0.17% Cu	360,000 ounces
Sulphide (Proprietary orebody only)	**3.0g/t gold cut off**			
INFERRED RESOURCES	0.81 million tonnes	4.40g/t Au	114,000 ounces	

Reserves and Resources were calculated by Terry Ransted MAusIMM (Principal, Multi Metal Consultants Pty Ltd) who is a competent person defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, September 1999). The full details are given in the attached Note 1.

DUBBO ZIRCONIA PROJECT (DZP)

Zirconia, yttria-rare earths, niobium-tantalum – NSW

Australian Zirconia Ltd (AZL) 100%

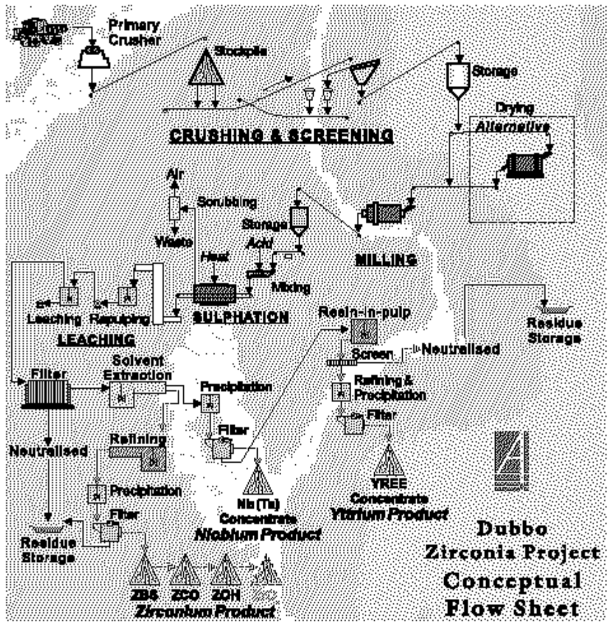
The Dubbo Zirconia Project (DZP) is located 20km south of the large regional centre of Dubbo, approximately 400km north west of Sydney in the central west region of New South Wales. The Company has carefully evaluated the commercial viability of the DZP since the discovery of the orebody and remains convinced that the Project will become an important contributor to the zirconium chemicals industry over many years and provide substantial returns to Alkane. The DZP continued to be a major focus for the Company during 2002.

The DZP is centred on the Toongi trachyte intrusive which is a near vertical pipe-like body with dimensions 900 metres by 500 metres. Drilling of the Toongi body has tested the trachyte on a 50 metre square grid to an average vertical depth of 55 metres. A total of 107 holes have been completed with a few holes drilled to near 100 metres vertical to test for depth continuity.

The drilling demonstrated the remarkably uniform grade of the trachyte with only the silicified contact of the body showing major grade variations. Most of the deposit crops out as a small hill with only a thin skin of weathered rock which does not impact on the metal grades.

A 20 year mining pit has been designed which covers approximately 40% of the surface area of the Toongi body, reaching depths of 20 metres below the top of the hill. The ore recoverable from this pit has been classified as an Inpit Measured Resource based upon a 1.5% ZrO_2 cut off. Waste totals 0.23Mt, with equivalent waste to ore ratio of 1:18.

During the last four years a programme of metallurgical test work was carried out at the Lakefield Oretest Pty Limited (Lakefield) laboratory in Perth, under the management of Perth based industrial mineral consultants DEMA Pty Ltd and associated company TZ Minerals International Pty Ltd. This programme was successful in demonstrating a process of sulphuric acid leach with solvent extraction recovery and refining of the value metals in the deposit to produce a suite of



relatively pure intermediate products which were suitable for further processing to high value materials for use in the expanding electronics, catalyst, engineering ceramic and specialty alloy industries.

The process development work included operation of a mini-pilot plant over 19 days in five separate campaigns. These operations generated several kilograms of zirconium and niobium products, some of which were distributed to potential end users in Europe and Japan for assessment. The products distributed consisted of zirconium basic sulphate (ZBS), zirconium hydroxide (ZOH) and a niobium-tantalum concentrate (Nb Conc).

A Definitive Feasibility Study (DFS) was commenced early in 2001 and SNC-Lavalin Australia Pty Ltd (SLA), the Australian office of the large international engineering group, was appointed as the study manager later that year. SLA was responsible for compiling all the data necessary for an assessment of the technical, ancillary and financial aspects of the Project. Although process development work was continuing (specifically reagent optimisation, product quality improvement and the development of the yttrium-rare earth flow sheet), the DFS was completed in late September 2002 based upon a flow sheet frozen at the end of June 2002.

IDENTIFIED MINERAL RESOURCES

INPIT MEASURED RESOURCES	4.14 million tonnes	1.91% ZrO_2, 0.041% HfO_2, 0.46% Nb_2O_5, 0.029% Ta_2O_5, 0.138% Y_2O_3, 0.765% Total REO
MEASURED RESOURCES (0-55m, 340mRL)	35.7 million tonnes	1.96% ZrO_2, 0.04% HfO_2, 0.46% Nb_2O_5, 0.03% Ta_2O_5, 0.14% Y_2O_3, 0.745% Total REO
INFERRED RESOURCES (55-100m, 295mRL)	37.5 million tonnes	Similar grade
TOTAL	73.2 million tonnes	Similar grade

These resources were calculated by Terry Ransted MAusIMM (Principal, Multi Metal Consultants Pty Ltd) who is a competent person defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, September 1999). The full details are given in the attached Note 2.

The basic concept of the DZP is a 200,000 tonne per year ore throughput to produce:

- **3,000 tonnes (ZrO_2 equivalent) as zirconium sulphate, zirconium hydroxide and zirconium carbonate**
- **600 tonnes niobium (+tantalum) pentoxide as 80% concentrate**
- **1,200 tonnes* yttrium – rare earth oxide as 70% concentrate (*not included in base case model)**

From the feasibility study engineering design and costing, including direct vendor quotes, SLA estimated the capital cost of the DZP to be A$90.5 million including an Engineer-Procure-Construct-Manage (EPCM) contract. Owners' costs were estimated at A$4.4 million, excluding external infrastructure, land acquisition and contingency costs. AZL is of the opinion that process optimisation and judicious use of available equipment could reduce the primary capital cost.

The increase in the capital and operating costs from that estimated by the pre-feasibility study completed in September 2000 was largely attributed to a significant change in the flow sheet and consequent increase in complexity. This change combined with a more conservative assessment of the materials of construction added to the cost estimate. Also contributing to the increase was the inclusion of the crushing circuit (initially intended as contractor supplied) and a rise in the estimated site personnel from 60 to approximately 80.

The results of the DFS have shown that, given the complex and innovative nature of the DZP (with no existing Australian or international operating comparison), and the very conservative approach to capital/operating costs, the base case model did not give acceptable financial returns on the expanded capital cost, even though producing a positive cash flow. However, with the development of the yttrium-rare earth recovery circuit, other process optimisations and more likely product revenue scenarios, the Project will generate more acceptable returns.

The DFS acknowledged that the Toongi deposit is a major zirconium resource of long term strategic significance. The process developed enables the value metals to be recovered and refined into a number of products that have market appeal. Of particular importance is the fact that the generation of zirconium products from the DZP is not dependent upon zircon sand, and hence the production of ilmenite/rutile from mineral sands deposits. That industry is directly driven by demand for titanium minerals, with zircon being a co-product of projected lower abundance. Zircon currently provides over 90% of feedstock for the zirconia and zirconium chemicals business.

The zirconia and zirconium chemicals industry continued to grow with annual rates around 5% over the last ten years. This rate of growth of consumption is anticipated to be maintained but the potential impact of the commercialisation of solid oxide fuel cells (SOFC) within five years could see a substantial increase in the demand for zirconia. The consumption of niobium and rare earth products also continues to grow and new applications are being developed.

The DFS recommended that several process optimisations be trialled with the aim of improving operating and capital costs. This will enable the optimised flow sheet to be incorporated into the construction and operation of the Demonstration Pilot Plant (DPP) and allow for any information resulting from the market studies to be incorporated into product preparation. The DPP would be a 1:400 scale version of the commercial plant and would confirm the integrity of the full process flow sheet and, importantly, generate several hundred kilograms of products for distribution to markets.

The DPP will be incorporated into a pre-development phase of work, which will result in a Final Development Plan and determine the optimum development scenario. The cost and timing of this phase is being detailed, but it is anticipated that the full programme would take around twelve months and could be completed during 2004.

Late in the year Kawatetsu Mining Company Ltd and Itochu Corporation (KMI) decided not to exercise their option to acquire a 40% interest in the DZP. The KMI decision opened up the opportunity for other groups to express an interest in the DZP and discussions have commenced with these groups on the basis that they can earn an equity in the DZP by funding all expenditures to complete the Final Development Plan.

REVIEW OF OPERATIONS

EXPLORATION NSW

TOMINGLEY GOLD PROJECT

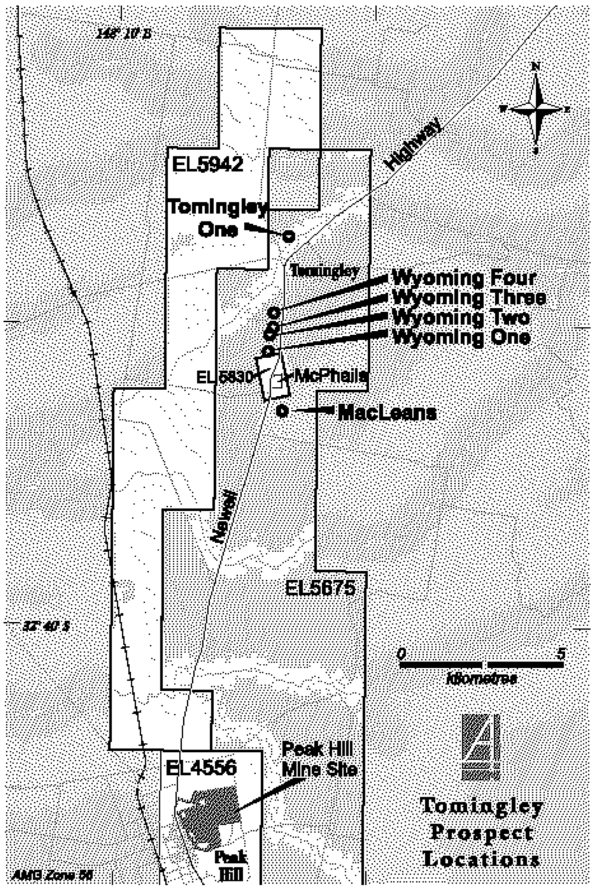
Gold – NSW

Alkane Exploration Ltd 100%

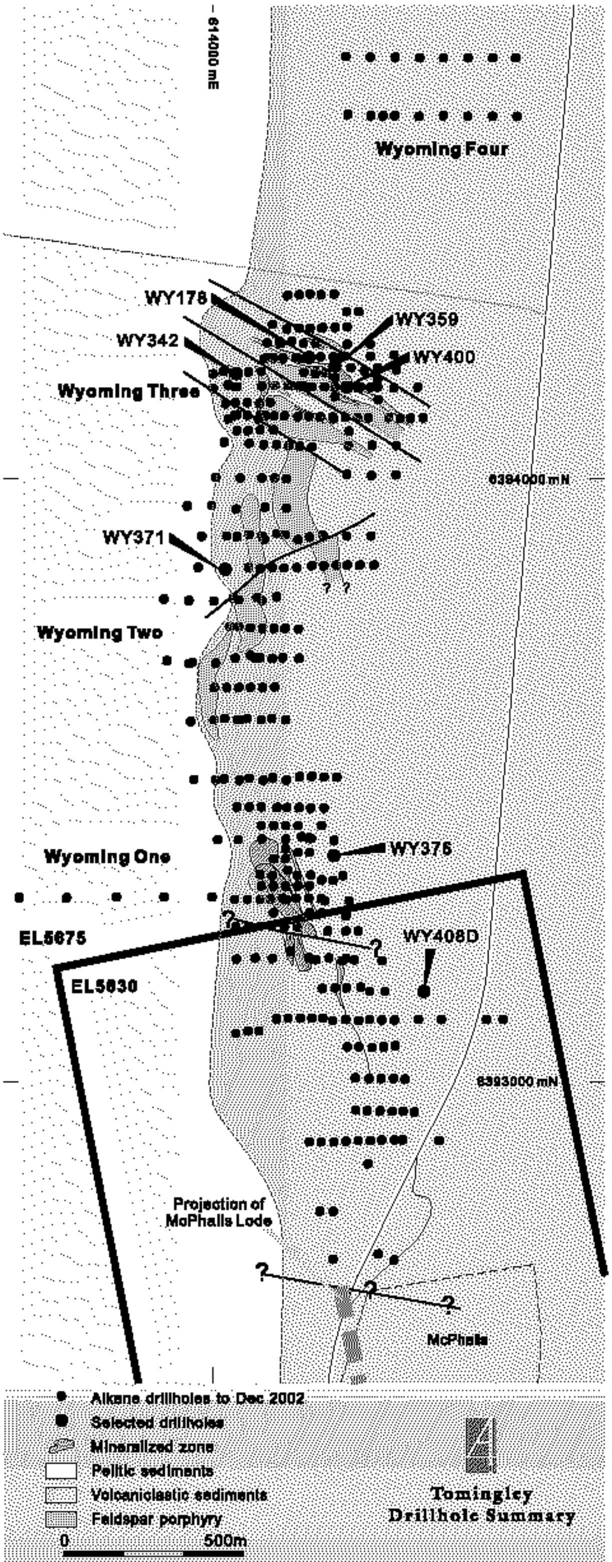
(subject to separate royalty agreements with Compass Resources NL and Golden Cross Operations Pty Ltd)

The Tomingley Gold Project (TGP) extends over 40 kilometres from near Parkes in the south, to north of Tomingley in the central west of New South Wales and covers a narrow sequence of Ordovician volcanic rocks. The Wyoming Prospect, within the TGP, is situated about 12 kilometres north of the Company's Peak Hill Gold Mine and immediately north of the historic 70,000 ounce gold producing Myalls United Mine (McPhails).

Wyoming is one of a number of prospects and gold occurrences located along this volcanic belt. Gold mineralisation at Wyoming has a close spatial relationship to a feldspar porphyry which intrudes into andesitic volcaniclastic rocks near their western contact with a more pelitic sequence. Mineralisation is associated with extensive alteration and quartz veining of the porphyry and volcanic rocks. Three distinct areas have been identified to date within a 1.5km corridor extending from the south at Wyoming One to Two and Three in the north.



Tomingley Prospect Locations



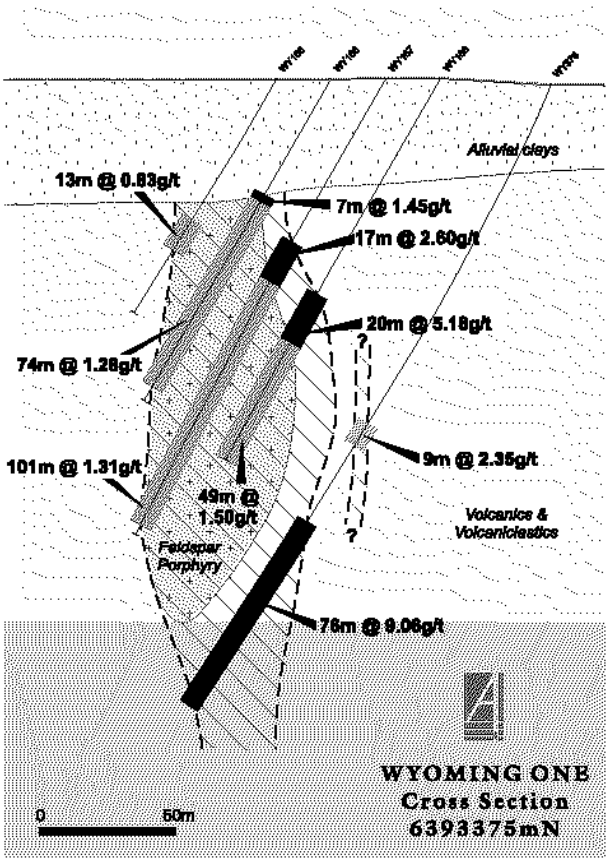
Tomingley Drillhole Summary

During the year a total of 24,787 metres of drilling was completed in 275 aircore, RC and core holes, bringing total drilling of the project to 38,798 metres.

At Wyoming One drilling largely targeted southerly and down dip extensions to the mineralised zones tested during 2001. Three styles of mineralisation have now been identified at Wyoming One. Within the feldspar porphyry, broad intercepts range in grade from 0.5g/t Au to 2.0g/t Au along the 200 metre strike length and down dip to around 300 metre vertical depth. The porphyry plunges to the south and appears to increase in width with depth. High grade contact mineralisation extends along the eastern and northern margin of the porphyry. This mineralisation is generally narrower than that in the porphyry but ranges up to 10g/t Au and can form substantial widths in particular structural positions (see WY 376 below). The contact mineralisation has been intersected to vertical depths of around 200 metres.

A distinctive hangingwall zone is located 20 – 50 metres east of the porphyry contact and has been traced over an intermittent strike length of 300 metres.

Wyoming One is covered by 30 to 40 metres of transported alluvial clay but early in 2002 a preliminary resource estimate was completed to a depth of 150 metres to determine the viability of mining and transporting the ore to Peak Hill for treatment.



Selected 2002 intercepts include:

WY 336	3m	@	4.55g/t Au				contact
WY 337D	12m	@	2.75g/t Au, including	4m	@	5.44g/t Au	hangingwall
WY 338	8m	@	2.02g/t Au, including	3m	@	4.38g/t Au	contact
WY 375	3m	@	7.52g/t Au				hangingwall
WY 376	76m	@	9.06g/t Au, including	17m	@	19.63g/t Au	contact
WY 408D	27m	@	2.72g/t Au, including	5m	@	8.68g/t Au	hangingwall

IDENTIFIED MINERAL RESOURCES Wyoming One 1.00g/t Au cut off

INDICATED RESOURCES	1.08 million tonnes	2.12g/t Au	
INFERRED RESOURCES	0.50 million tonnes	1.77g/t Au	
TOTAL	1.58 million tonnes	2.01 g/t Au	102,700 ounces

Reserves and Resources were calculated by Terry Ransted MAusIMM (Principal, Multi Metal Consultants Pty Ltd) who is a competent person defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, September 1999). The full details are given in the attached Note 3.

Metallurgical test work carried out on Wyoming One ore gave very good average recoveries of 90% of the gold with standard grinding and low cyanide and lime consumptions. However the heap leach characteristics were poor and the concept of treating at Peak Hill was abandoned in favour of a standard CIP/CIL recovery operation. This would require a larger resource base and an expanded drilling programme was continued throughout 2002.

REVIEW OF OPERATIONS

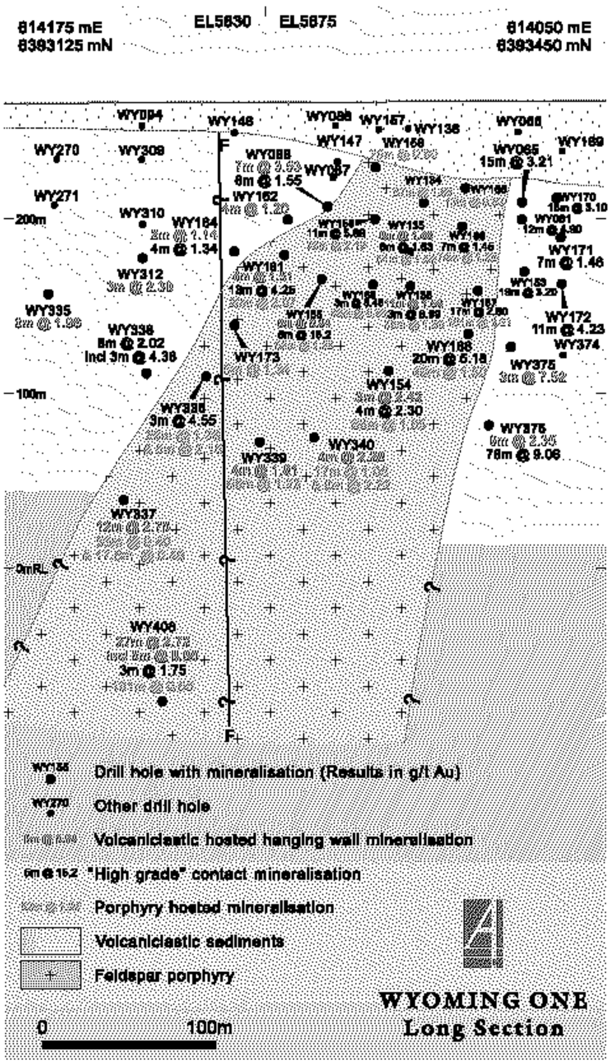
The geology at Wyoming Two appears similar to that at Wyoming One, with north-south porphyry intrusive bodies lying parallel to the volcaniclastic/pelitic sediment contact. While low grade gold mineralisation is widespread, the system appears to lack the general high grades evident to the south. Air core drilling was completed infilling northwards to Wyoming Three and several RC holes were drilled as followup of low grade intercepts. The better results included:

WY 371 7m @ 3.22g/t Au, including 3m @ 5.72g/t Au

The area is considered a lower priority however further drilling will be scheduled in an attempt to elucidate the geological, structural and mineralisation complexities at depth.

Wyoming Three was identified in June following air core drilling completed to test anomalous gold grades identified by previous explorers which were coincident with an aeromagnetic structural break located 800 metres to the north of Wyoming One. Significant gold intercepts were recorded below about 10 metres of transported cover and within a rock sequence similar to that at Wyoming One. Initially it was assumed that the mineralisation was trending approximately north-south but subsequent drilling has indicated that there is a significant west-north-west component and the area is more structurally complex than Wyoming One.

Numerous high grade intercepts have been recorded throughout an area of 300 by 200 metres. Many of these are situated within the altered volcaniclastic sequence and others are associated with west-north-west structures, however there remains a close spatial association with porphyry intrusives.



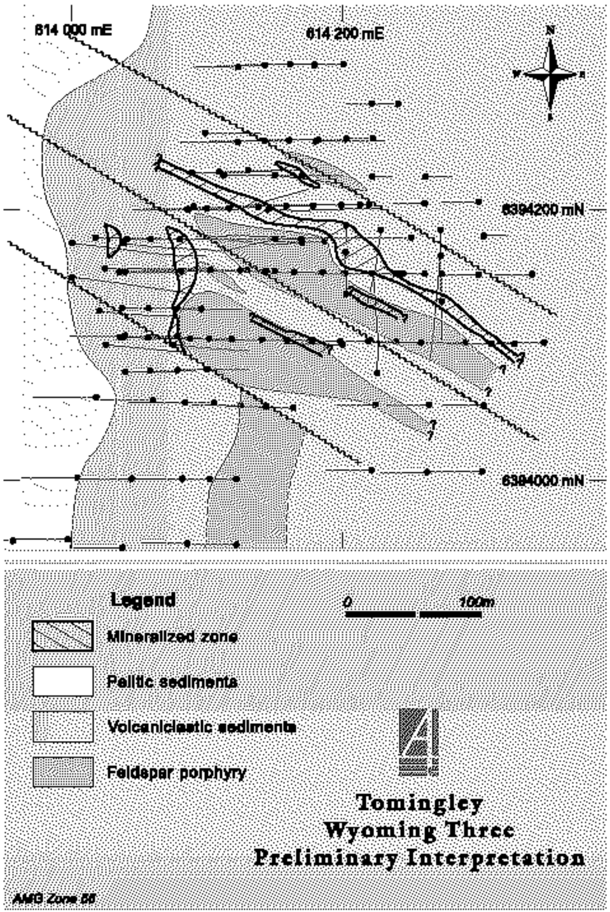
Selected intervals include:

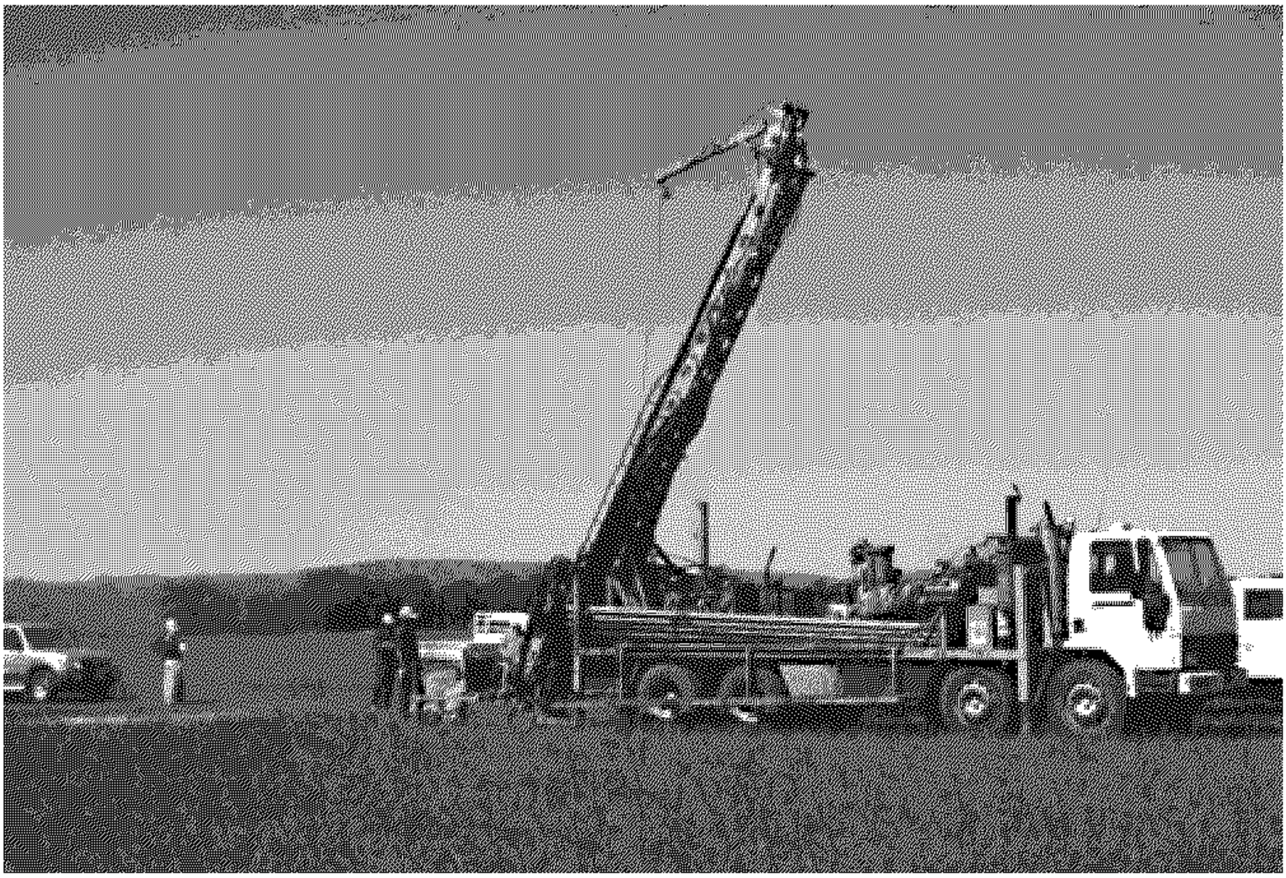
WY 178	60m	@	1.72 g/t Au, including	11m	@	5.85g/t Au
WY 233	28m	@	3.61 g/t Au, including	2m	@	37.4g/t Au
WY 281	15m	@	6.10 g/t Au, including	6m	@	12.55g/t Au
WY 302	19m	@	2.73 g/t Au, including	4m	@	6.58g/t Au
WY 303	22m	@	2.26 g/t Au, including	3m	@	7.94g/t Au
WY 342	36m	@	3.98 g/t Au, including	9m	@	8.56g/t Au
WY 343	13m	@	6.04 g/t Au, including	4m	@	16.83g/t Au
WY 359	22m	@	4.50 g/t Au, including	10m	@	6.78g/t Au
WY 362	18m	@	4.56 g/t Au, including	8m	@	8.96g/t Au
WY 395	16m	@	4.81 g/t Au, including	6m	@	6.05g/t Au
WY 396	11m	@	6.47 g/t Au, including	4m	@	13.53g/t Au
WY 400	12m	@	5.69g/t Au, including	6m	@	9.07g/t Au
WY 405	8m	@	13.18g/t Au, including	1m	@	79.80g/t Au

Reconnaissance aircore drilling tested two new aeromagnetic targets late in the year. While Wyoming Four located 500 metres north of Wyoming Three has not yet returned any significant results, Tomingley One located a further two kilometres to the north, generated strongly anomalous gold/arsenic values over an open ended 200 metre strike length.

The drilling at Wyoming throughout 2002 continued to demonstrate the substantial potential of this ore system and a major resource definition drilling programme is planned to commence in February 2003. This programme has an initial resource target of 500,000 ounces of gold by mid year, leading to a development concept by the end of the September Quarter 2003.

Reconnaissance aircore drilling of new aeromagnetic targets and assessment of other prospect areas will continue.





WELLINGTON

Gold – NSW

LFB Resources NL 100%

No further field work was undertaken during the year, but a review of the base metal mineralisation at the Galwadgere prospect (Inferred Resource 1.7 million tonnes grading 1.7% Cu) within the Wellington tenement was initiated late in the year. A field programme to evaluate this mineralisation and re-examine the gold potential at both Galwadgere and Federal is being considered.

ORANGE-MOLONG

Gold, Copper – NSW

LFB Resources NL 100%

No field work was completed during the year but the tenements comprising the Orange and Molong areas were consolidated under one new title. Upon grant of this title, an exploration programme to test this porphyry copper-gold system will be initiated.

MOORILDA

Gold, Copper – NSW

LFB Resources NL 100%

Reconnaissance drilling of the structurally controlled gold mineralisation known to occur sporadically along a 20km zone was originally scheduled for late in the year. Unavailability of a suitable drill rig and the major effort directed at Wyoming caused this programme to be delayed until the second quarter of 2003.

WYALONG

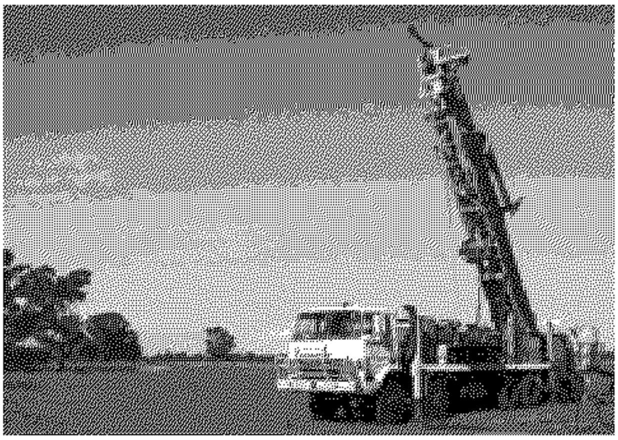
Gold, Copper – NSW

LFB Resources NL 100%

The Wyalong project is subject to a joint venture with Newcrest Operations Limited (NOL), whereby NOL have the option to earn a 75% interest in the tenement through sole funding of the first $3.5 million exploration expenditure over a five year period. NOL are the operators of the joint venture.

NOL advised that a planned 15 hole air core programme was further delayed because of drill rig scheduling difficulties and will now be conducted early in 2003. An Aboriginal archaeological survey of the hole sites conducted in view of the litigation activities against the nearby Barrick Gold Cowal Project was successfully completed. Only one site had to be relocated.

KADUNGLE was inactive while **BELLEVUE** and **MT AUBREY** were relinquished.



EXPLORATION WA

LEINSTER REGION JOINT VENTURE

Nickel, gold – WA

Alkane Exploration Ltd - 49%

The four prospects – LEINSTER DOWNS, MIRANDA, McDONOUGH LOOKOUT and MT KEITH – are subject to a farm-in agreement with Jubilee Mines NL (Jubilee) where Jubilee can earn a 75% interest in the properties by spending $4.5 million before March 2005.

Jubilee reported that at McDonoughs three diamond core holes were completed for a total of 834 metres. These holes were drilled to evaluate coincident geophysical (EM) and conceptual geological targets. Ultramafics, sometimes containing moderate amounts of disseminated sulphides, were intersected. Two of the holes intersected sulphidic sediments which may account for the presence of the EM conductors. Approximately 12 strong EM conductors located within favourable geological settings remain untested at McDonoughs and further work in this area is currently being planned.

At Miranda, diamond drilling was carried out at the Taurus prospect with two holes completed for a total of 618 metres. These holes were designed to test DHEM conductors associated with ultramafics containing nickel sulphide mineralisation, which have been identified by previously drilling. Zones of disseminated and blebby sulphides were intersected within the ultramafics, however no significant nickel grades were returned. However Taurus remains a high priority target.

NULLAGINE AND WAITANGI (New Zealand) were inactive.

Unless otherwise stated this report is based on information compiled by Mr D I Chalmers, FAusIMM, FAIG, a director of the Company, who is a competent person as defined in the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves, September 1999, and accurately reflects the information compiled by the competent person.

NOTE 1 - Specification to Accompany Sulphide Resource Statement for Peak Hill

- *drilling technique – The resource is based on 11 diamond drill holes completed by Alkane between 1996 & 1997, 5 diamond drill holes completed by Goldfields in 1983-84 and, 11 RC holes drilled by Geopeko (1987). Grade control drilling and oxide RC drill holes were also used for the resource zone immediately below the Proprietary Pit.*
- *drilling density – RC and Goldfields drill holes completed on EW sections spaced 25m apart. Alkane holes drilled on NE-SW sections spaced 40-50m apart..*
- *drill locations – All drill hole collars are surveyed to the mine grid. Alkane diamond drill holes are surveyed down hole at approximately 20 metre intervals by single shot camera.*
- *sampling technique – RC chip samples are riffle split at the rig and appropriate sized samples bagged for despatch to the laboratory. Diamond drill core was halved.*
- *sample density – RC sample interval is 2 metres downhole. Alkane diamond` drill core was sampled at 1m intervals and Goldfield's core at 2m intervals.*
- *sample recovery – RC sample recovery is usually very good (>80%). Samples are usually dry. Core recovery was usually very good.*
- *assay technique – Drill samples were submitted to commercial laboratories for preparation by drying, grinding and sub-setting and then analysed by industry standard Fire Assay techniques.*
- *specific gravity – A SG of 3.0t/m3 is used based on numerous measurements from throughout the ore zones.*
- *estimation techniques – Estimations used a 3D wireframe geological model as a basis for inverse distance squared grade extrapolation into a block model. Block size is 2.5m x 5.0m x 5.0m.*
- *Wireframes/ore zones are constrained by boundaries defined by geology, structure and grade.*
- *grade cuts – 22g/t gold assay cut was used.*

NOTE 2 - Specifications for Resource Statement for Toongi deposit of the Dubbo Zirconia Project

- *Resource estimation using a computer based, 3D geological model as a basis for inverse distance squared grade estimation (using a 100m x 100m x 5m ellipse) into a block model having individual cell size of 10m x 10m x 5m.*
- *Sampling by riffle split RC chips or half core, generally at one metre intervals.*
- *Reference and duplicate samples submitted at regular intervals as laboratory and sampling method checks.*
- *Bulk density estimates based on 10 actual determinations of surface samples (2.37) and drill core (2.54).*
- *Analyses completed by pressed powder XRF at Amdel (Adelaide) for Zr, Hf, Y, Nb, Ta, Ce, La, U, Th. Checks by fusion XRF, ICP and neutron activation completed at external laboratories.*
- *Other REE were analysed by neutron activation from PHD007 and show a very consistent ratio between Ce + La and Total REE content. This ratio (constant) was used to calculate the Total REO values quoted.*

NOTE 3 - Specification to Accompany Wyoming One Resource Statement for Tomingley Gold Project

- *drilling technique – the resource is based on 26 reverse circulation and 7 air core drill holes with one diamond drill hole confirming mineralisation at depth.*
- *drilling density – RC and air core drill holes completed on EW sections spaced 25m apart with holes at approximately 20m intervals (25m down dip).*
- *drill locations – All drill hole collars are surveyed to 0.1m accuracy. RC drill holes are surveyed down hole by single shot camera.*
- *sampling technique – RC and air core samples are riffle split at the rig and appropriate sized samples bagged for despatch to the laboratory. Diamond drill core was halved.*
- *sample density – sample interval is 1 metre*
- *sample recovery – RC and air core sample recovery is usually very good (>95%) and all samples are dry. Core recovery was 100%.*
- *assay technique – Drill samples were submitted to commercial laboratories for preparation by drying, grinding and sub-setting and then analysed by industry standard 30g fire assay techniques.*
- *specific gravity – A SG of 1.8t/m3 is estimated for saprolite, 2.2t/m3 for the remainder of the oxide zone and 2.5t/m3 for fresh rock.*
- *estimation techniques – Estimations used a 3D wireframe geological model as a basis for inverse distance squared grade extrapolation into a block model Block size is 2.5m x 5.0m x 5.0m. Grade interpolated into inferred resource using a wider search ellipse.*
- *wireframes/ore zones are constrained by boundaries defined by geology, structure and grade.*
- *grade cuts – a 22g/t gold assay cut was used.*

ENVIRONMENTAL AND OCCUPATIONAL HEALTH AND SAFETY REVIEW

Alkane is committed in all its activities to compliance with all laws and regulations in relation to environmental and occupational health and safety. The Company strives to improve its standards in parallel with industry best practice for both the Peak Hill Gold Mine operations and exploration.

PEAK HILL GOLD MINE

Environmental Management System

An Environmental Management System (EMS) has been developed and implemented in order to integrate environmental management into the Company's daily operations, long term planning and other quality management systems, and is based on the Australian and New Zealand Standard for Environmental Management Systems ISO 14001.

The Peak Hill Gold Mine EMS comprises:

- An Environmental Policy Statement
- An Environment Plan
- Rules on Implementation and Operation
- A Safety Management Plan
- Methodology on Measurement and Assessment
- EMS Review Procedures

Statutory Environmental Monitoring and Reporting

The Peak Hill Gold Mine has adopted the practice of producing a monthly Environment Report. This report contains all the monitoring results in relation to each of the environmental aspects that are affected by the activities on the minesite including: air quality; noise and vibration; water management; water quality; soil conservation; flora and fauna; archaeology and heritage protection; progressive rehabilitation; transport; visual impacts; hazard and risk assessment; waste management; socio-economic issues; and mine closure. A summary of site activity, visitors, personnel and occupational health and safety is also included. The report is distributed to the Environment Protection Authority, Department of Mineral Resources, Parkes Shire Council and the site mining contractors – Macmahon Contractors.

The principal reporting document for the Peak Hill Gold Mine is the Annual Environmental Management Report and Mining Operations Plan. This document is reviewed each year by the relevant regulatory authorities including the Department of Mineral Resources, Environment Protection Authority, Department of Land and Water Conservation, National Parks and Wildlife Service and Parkes Shire Council.

The Peak Hill Gold Mine also reports annually to the National Pollutant Inventory initiative. This report is accessible to the public via the Internet.

Mine Closure Plan

A mine closure plan for the Peak Hill Gold Mine encompassing stakeholder consultation, decommissioning, final rehabilitation and maintenance and monitoring took effect at the completion of mining in the third quarter of 2002.

A modern aspect of mine closure is to ensure there is an on going use for the land and that mining operations do not leave behind a wasteland. The mining operations can then be said to have been sustainable development.

This is planned to be achieved by developing the area of the open cuts into a tourist facility, to be called the Peak Hill Open Cut Experience. Walking trails, viewing platforms and a parking area are planned to be constructed and interpretive signage installed. It is intended to operate the facility on a commercial basis to ensure that it is self-funded in regard to outgoings such as rates, insurances and maintenance.

It is proposed to run guided tours around and into the open cuts to provide an interactive experience for visitors.

Alkane will retain the mining leases and control tourist access. The Company would be in a position to curtail tourism should it wish to recommence mining.

Occupational Health and Safety in 2002

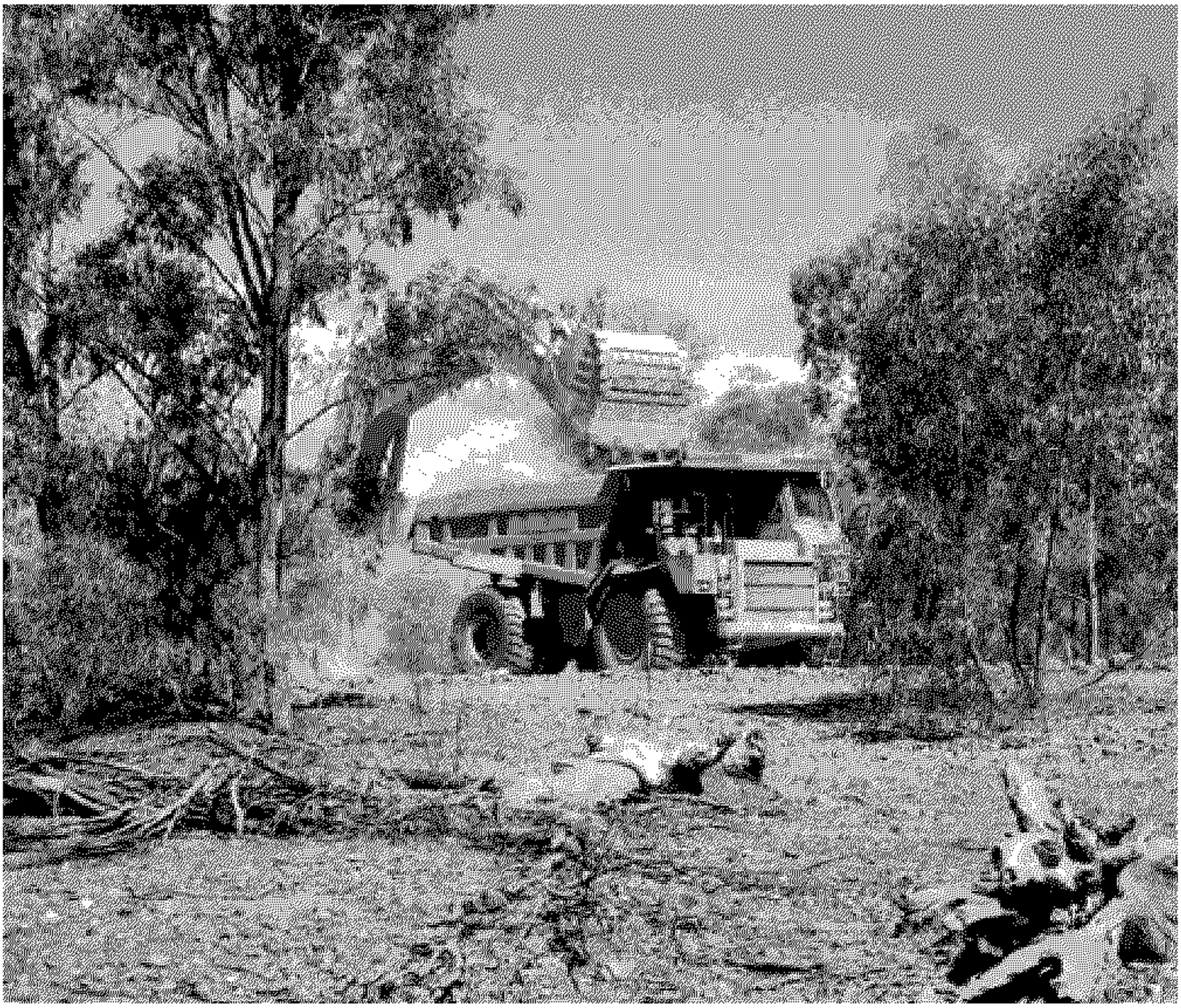
The Peak Hill Gold Mine has an established Safety Policy and Safety Management Plan. The Company's objective is the elimination of all incidents and practices which could result in personal injury or occupational illness.

The Company continues to work with the NSW Department of Mineral Resources in a review of the mine safety systems. Job Safety Analyses and Safe Work Procedures are continually reviewed and revised where appropriate. During 2002 the Peak Hill Mine Safety Management Plan was reviewed in accordance with the General Rule (2000).

Both Alkane and Macmahon Contractors conduct pre-employment inductions, conduct regular safety meetings and safety training, and supply appropriate safety equipment to all employees on the minesite in an attempt to achieve the occupational health and safety goals.

OH&S Results 2000-2002

	2000			2001			2002		
	MAN HRS	LTIS	MINOR INJURIES	MAN HRS	LTIS	MINOR INJURIES	MAN HRS	LTIS	MINOR INJURIES
Alkane	47,510	1	0	44,555	1	5	32,959	1	0
Macmahon	60,866	0	1	68,133	0	1	51,166	0	0
Total	108,349	1	1	112,688	1	6	84,125	1	0



Environmental Management in 2002

The mine currently has 19 Approvals and Licences for the mining and processing operation, access to water and pipelines.

During 2002, the mine was in compliance with all approvals but for one occasion. There was one ground vibration exceedance from a total of 177 blasts initiated in 2002. Alkane has worked closely with the contractors to minimise the effects of blasting on Peak Hill residents and this is reflected in the decreasing number of complaints since start up in 1996. There was only one complaint related to blasting in 2002.

A total of five complaints were received in 2002. Four complaints related to fugitive dust and one to structural damage to a Caswell Street property alleged to have been caused by blast vibration. Each complaint resulted in the Company responding according to an established protocol.

The Peak Hill community has been kept informed of new developments at the Peak Hill Gold Mine (Parkers Cutback and Crown pit additions) through six-monthly public meetings and through the community newspaper.

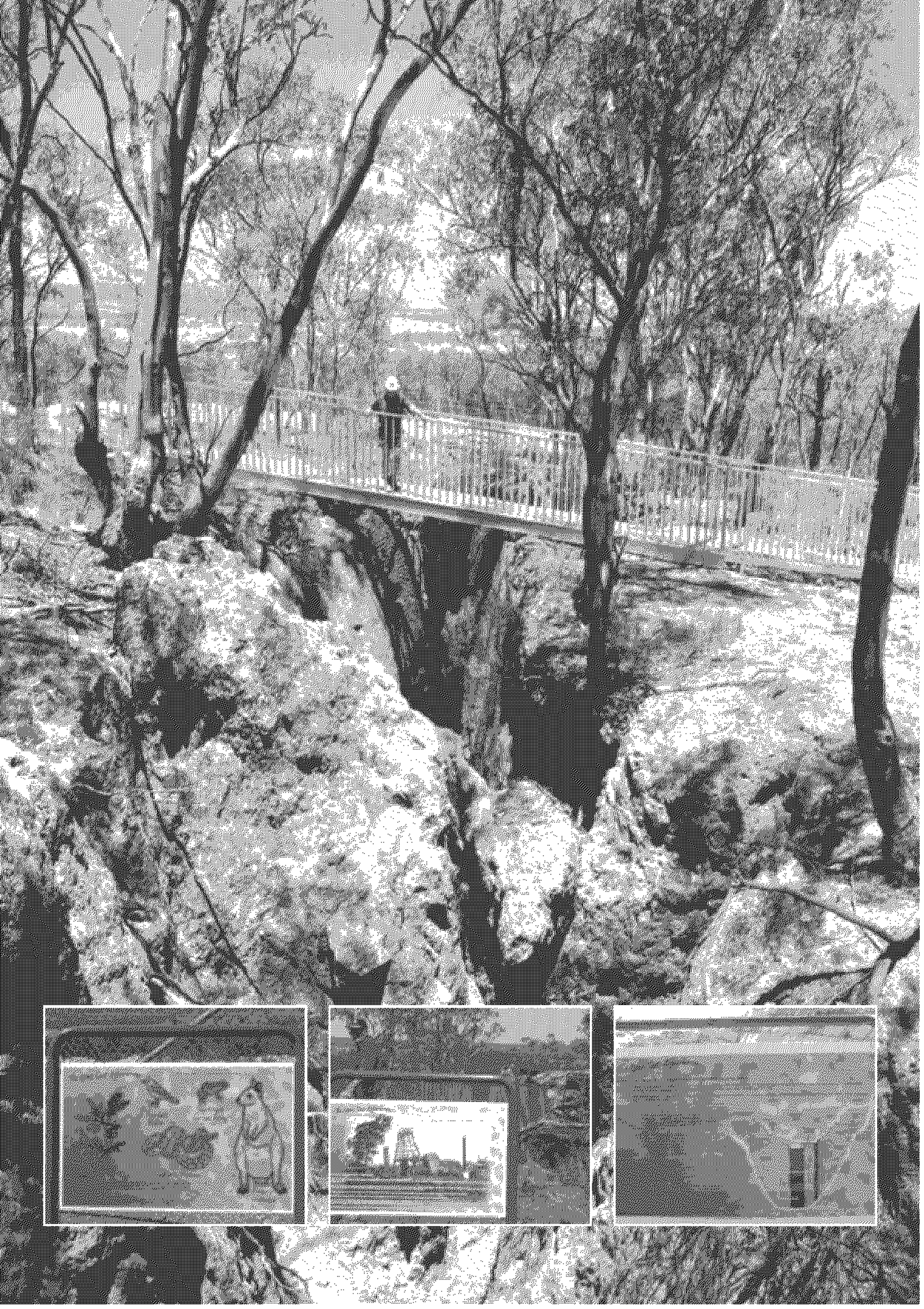
Alkane also continued its efforts in general environment improvement, having completed the removal of 83,000 tonnes of tailings from dumps scattered around the Peak Hill townsite. These areas have been successfully rehabilitated with trees, shrubs and pasture. To date 4,000 trees and shrubs have been planted in the progressive rehabilitation of the minesite. Innovative rehabilitation techniques and a variety of species have been trialled on the minesite since 1996.

Government Agencies and educational institutions continue to include the Peak Hill Gold Mine in tour programmes focussed on industry 'best practice'. The mine hosted three NSW Minerals Council School Teacher Mining Seminar tours during 2002.

The Open Cut Experience tourist facilities, including interpretive signs, walking tracks and safety fencing commenced construction in November 2002. The Peak Hill Gold Mine is one of the few mines (close to a major highway) offering the opportunity to see and learn how a modern gold mining operation works. A bus/car park at the Open Cut Experience track head is scheduled to be sealed and landscaped in March 2003.

The Company was pleased to support a project in Peak Hill, which saw a large and historic building restored for use as an indoor sporting and cultural facility. The Southern Cross Community Centre was officially opened in April 2002.

The Peak Hill Gold Mine is a significant contributor to the local economy and community. The mine employed on average 46 personnel in 2002, 85% being original local residents. The mine also has an unwritten policy of shopping locally for goods and services. Twenty three local organizations and charities were assisted by the Peak Hill Gold Mine in 2002.



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 2 to 15 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.

ENVIRONMENTAL 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 39.

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 Henry David (Dave) 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 Anthony Dean 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 at normal 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
A.D. Lethlean	-	-	250,000

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 Ransted	250,000
Rocky Rises Pty Ltd	250,000

The following options 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

The accompanying notes form part of these financial statements

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.

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.

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)
	-	-	-	-
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

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	2002	2001
	$	$	$	$
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.

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.

	PARENT ENTITY			
	2002		2001	
	NUMBER	$	NUMBER	$
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	-	-	-

10. REMUNERATION OF DIRECTORS

	CONSOLIDATED		PARENT ENTITY	
	2002	2001	2002	2001
	$	$	$	$
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

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	
Type of transaction	Related party -directors	Terms and conditions	2002 $	2001 $	2002 $	2001 $
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

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 2003 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	Class	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		PARENT ENTITY	
	2002	2001	2002	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.

17. EARNINGS PER SHARE ("EPS")

	CONSOLIDATED		PARENT ENTITY	
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 I 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 20 to 33:

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 20 to 34. 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

SUPPLEMENTARY INFORMATION

Additional information included in accordance with Listing Rules of the Australian Stock Exchange Limited.

1. SHARE HOLDING AT 17 MARCH 2003 - ALK

(a) Distribution of Shareholders

SHARE HOLDING	NUMBER OF HOLDERS FULLY PAID ORDINARY SHARES
1 - 1,000	2,394
1,001 - 5,000	844
5,001 - 10,000	350
10,000 - Over	767
	4,355

There are 2,471 shareholders who hold less than a marketable parcel.

Voting rights are one vote per fully paid ordinary share

(b) The names of the substantial shareholders shown in the Company's Register are:

SHAREHOLDER	NUMBER OF SHARES
Rockfield Investments Ltd	11,399,370
Resources Investment Trust Plc	8,800,000
Investors Trust and Custodial Services (Ireland) Limited	4,000,000

2. TOP TWENTY SHAREHOLDERS AT 17 MARCH 2003

SHAREHOLDER	NUMBER OF SHARES	% ISSUED CAPITAL
National Nominees Ltd	27,352,856	22.85
HSBC Custody Nominees (Australia) Ltd	8,678,627	7.25
ANZ Nominees Limited	7,588,707	6.34
Golden Moment Resources Ltd	5,455,804	4.56
Eikofin BVBA	5,000,000	4.17
Nefco Nominees Pty Ltd	3,857,900	3.22
Citicorp Nominees Pty Ltd	3,833,927	3.20
Locksley Holdings Pty Ltd	2,721,000	2.27
Sydney Equities Pty Ltd	1,900,000	1.59
Trust Company Superannuation Services Ltd	1,681,000	1.40
Saltbush Nominees Pty Ltd	1,249,532	1.04
Guardian Trust Australia Ltd	911,556	0.76
Spink, Noel C	878,214	0.73
Moondance Ventures Ltd	858,000	0.72
Mingcourt Holdings Ltd	846,000	0.71
Goldtrek Pty Ltd	806,492	0.67
Gwynvill Trading Pty Ltd	750,000	0.63
Ordville Nominees Pty Ltd	719,792	0.60
Lampsac Pty Ltd	700,000	0.58
Piranha Nominees Pty Ltd	667,000	0.56
	76,456,407	63.85

3. OPTION HOLDING AT 17 MARCH 2003 - ALKOB

Distribution of Option holders

NUMBER OF HOLDERS	OPTION HOLDING OPTIONS
1 - 1,000	521
1,001 - 5,000	292
5,001 - 10,000	36
10,000 - Over	103
	952

Options are exercisable at 35 cents each expiring 31 March 2005

4. TOP TWENTY OPTION HOLDERS AT 17 MARCH 2003

OPTION HOLDER	NUMBER OF OPTIONS	% ISSUED OPTIONS
Bretred Pty Ltd	1,361,368	13.89
National Nominees Ltd	851,772	8.69
Dimond, Richard M & Denise R	400,000	4.08
ANZ Nominees Ltd	298,461	3.05
Furner, Gordon	265,893	2.71
Holdex Nominees Pty Ltd	250,000	2.55
Chippell Pty Ltd	250,000	2.55
Whelan, J C & C R	200,033	2.04
Tintaldra Securities Pty Ltd	200,000	2.04
Conway, Brian A	200,000	2.04
McDougall, H D & E M	199,911	2.04
INXS Pty Ltd	144,000	1.47
B A Conway Pty Ltd	140,000	1.43
Hurse, Brian J	130,000	1.33
Trust Company Superannuation Services Pty Ltd	125,586	1.28
Larking, Mr J	122,490	1.25
R H Dimond & Associates Pty Ltd	116,000	1.18
Invia Custodian Pty Ltd	114,750	1.17
Longo Pty Ltd	105,000	1.07
Telic Alcatel (Aust) Pty Ltd	105,000	1.07
	5,580,264	56.93

SUPPLEMENTARY INFORMATION

Option Holding at 17 March 2003 - ALKAO

Total options	3,000,000
Number of holders	3
Holdings of more than 20%	
Goldtrek Pty Ltd	1,000,000
Mineral Administration Services Pty Ltd	1,000,000
Leefab Pty Ltd	1,000,000

Options are exercisable at 35 cents each expiring 31 May 2005

Option Holding at 17 March 2003 – ALKAI

Total options	500,000
Number of holders	2
Holdings of more than 20%	
TW & J Ransted (The Ransted Family Account)	250,000
Rocky Rises Pty Ltd	250,000

Options are exercisable at 40 cents each expiring 24 May 2007

Option Holding at 17 March 2003 - ALKAQ

Total options	4,000,000
Number of holders	4
Holdings of more than 20%	
Goldtrek Pty Ltd	1,000,000
Mineral Administration Services Pty Ltd	1,000,000
Leefab Pty Ltd	1,000,000
Sundowner International Ltd	1,000,000

Options are exercisable at 45 cents each on or before 24 May 2004; at 50 cents between 25 May 2004 and 24 May 2006; and at 60 cents between 25 May 2006 and the expiry date 24 May 2007

5. RESTRICTED SECURITIES

As at the date of this report, there were no securities subject to restriction under the Listing Rules of Australian Stock Exchange Limited

6. AUDIT COMMITTEE

As at the date of the directors' report there was no formal audit committee of the board of Directors.

7. CORPORATE GOVERNANCE STATEMENT

The Directors of Alkane Exploration Ltd aspire to the highest standards of corporate governance considered appropriate to the Company's circumstances.

A description of the Company's main corporate governance practices is set out below. Unless otherwise stated, all these practices were in place the entire year.

Board of Directors

The Board of Directors takes ultimate responsibility for corporate governance and operates in accordance with the following broad principles:

a the Board should comprise between 3 and 5 directors

b at least one third of the Board should be non-executive directors

c the chairman should be an executive director

d the Board should comprise directors with a broad range of skills and experience in the resources industry

Details of the directors are set out in the Directors' Report under the heading "Particulars of Directors".

Directors are initially appointed by the full Board, subject to election by shareholders at the next general meeting and re-election at three-yearly intervals.

Chairman

The Chairman of the Board is an executive director who is elected by the full Board.

Non-executive Directors

The performance of non-executive directors is reviewed by the Chairman on an ongoing basis. Non-executive directors are expected to spend at least 20 days a year preparing for, and attending, Board meetings and associated activities.

Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. Prior written approval of the Chairman is required, which will not be unreasonably withheld.

Internal control

The Board has overall responsibility for the Company's internal control procedures.

Accordingly the Board has instigated procedures designed to provide reasonable assurance as to the:

effectiveness and efficiency of operations

reliability of financial reporting, and

compliance with applicable laws and regulations

Environmental regulation

The consolidated entity is subject to significant environmental regulation in respect of its development, construction and mining activities as set out below.

Mining

During the year there were inadvertent minor breaches of the requirements relating to certain environmental restrictions at the Company's mine site operations at Peak Hill, NSW. Management has been working with the New South Wales Environment Protection Authority to constantly monitor and rectify procedures to ensure compliance with the regulatory requirements. The Company employs a full time environmental manager at the site.

Exploration

The Company is subject to environmental controls and restrictions on all its mineral exploration tenements relating to any exploration activity on those tenements. No breaches of any environmental restrictions were recorded during the year.

General

The consolidated entity aspires to the highest standards of environmental management and insists all its staff maintain that standard.

8. TENEMENT SCHEDULE

TENEMENT NUMBER	REGISTERED TITLE HOLDER	ALKANE INTEREST %	PROJECT NAME
GL 5884 (Act 1904)	Alkane Exploration Ltd ("ALK")	100	Peak Hill, NSW
ML 6036	ALK	100	Peak Hill, NSW
ML 6042	ALK	100	Peak Hill, NSW
ML 6277	ALK	100	Peak Hill, NSW
ML 6310	ALK	100	Peak Hill, NSW
ML 6389	ALK	100	Peak Hill, NSW
ML 6406	ALK	100	Peak Hill, NSW
ML 1351	ALK	100	Peak Hill, NSW
ML 1364	ALK	100	Peak Hill, NSW
MLA 79 Or	ALK	100	Peak Hill, NSW
ML 1479	ALK	100	Peak Hill, NSW
EL 4556	ALK/Kiwi Australian Resources Pty Ltd ("Kiwi")	100	Peak Hill, NSW
EL 5741	ALK	100	Peak Hill, NSW
EL 5548	ALK	100	Dubbo, NSW
MLA 183 Or	ALK	100	Dubbo, NSW
EL 6025	LFB Resources NL ("LFB")	100	Orange-Molong, NSW
ELA 2055 Or	LFB	100	Orange-Molong, NSW
EL 5493	LFB	100	Wellington, NSW
EL 4933	LFB	100	Kadungle, NSW
EL 5912	LFB/Newcrest Operations Ltd	100	Wyalong, NSW
EL 5760	LFB	100	Moorilda, NSW
EL 5675	ALK	100	Tomingley, NSW
EL 5830	ALK	100	Tomingley, NSW
EL 5942	ALK	100	Tomingley, NSW
ELA 2061 Or	ALK	90	Tomingley-Wyanga, NSW
EL 5905	ALK	100	Wambangalang, NSW
E 46/522	ALK	60	Nullagine, WA
E 46/523	ALK	60	Nullagine, WA
E 46/524	ALK	60	Nullagine, WA
M 36/303	Mingcourt Holdings Ltd	49	Miranda Well, WA
M 36/329-330	ALK	49	McDonough, WA
E 53/367	ALK, AGF, Hot Holdings Pty Ltd	49	Mt Keith, WA
M 53/705	ALK, AGF, Hot Holdings Pty Ltd	49	Mt Keith, WA
M 53/790-791	ALK, AGF, Hot Holdings Pty Ltd	49	Mt Keith, WA
E 36/201	ALK, Kiwi, Hot Holdings Pty Ltd	49	Leinster Downs, WA
M 36/477-480	ALK, Kiwi, Hot Holdings Pty Ltd	49	Leinster Downs, WA
M 36/550	ALK/Kiwi	49	Leinster Downs, WA
M 36/571-572	ALK, Kiwi, Hot Holdings Pty Ltd	49	Leinster Downs, WA
P 36/1371-1372	ALK/Kiwi	49	Leinster Downs, WA
PL 31-1994	Tasman Gold Development Ltd	15	Waitangi, NZ

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