

NEW SOUTH WALES

TOMINGLEY GOLD PROJECT (TGP)

Alkane 100% subject to separate royalty agreements with Compass Resources NL, Golden Cross Operations Pty Ltd and Climax Mining Ltd.

Total resources for the **Wyoming** gold deposits stand at **7.13Mt grading 2.70g/t gold (606,400 ounces)** – full details are in the 2004 and 2005 Annual Reports and can be accessed on the Company web site. Activity in the Quarter was focussed on completing the revised geological/resource model to be incorporated into the feasibility study for the Wyoming deposits. The pre-feasibility study for the potential development of the Wyoming One and Wyoming Three deposits was reported in detail in the 4 May ASX Announcement, and is summarised below.

Pre-feasibility Study

The pre-feasibility study considered a base case development model of 500,000 tonnes per annum (tpa) open pit mining, followed by 250,000tpa underground mining with conventional carbon-in-leach gold recovery to produce 30,000 to 35,000 ounces per year for a minimum life of six years. This model was capable of generating cash flows of around \$8M a year at a gold price of A\$850/oz, and capital costs of A\$20-25M.

Future Program

The results of the study demonstrated that the proposed development project is robust enough to proceed to the more definitive feasibility study (DFS). The DFS will enable optimisation of the open pit and underground mining scenarios, enable competitive vendor pricing for both operating and capital costs, and complete the Environmental Assessment and Development Consent processes.

Large diameter core drilling is planned for both Wyoming One and Three deposits to generate data for geotechnical purposes, particularly for the underground component at Wyoming One, and to facilitate a more comprehensive metallurgical test program.

Deeper drilling below the proposed Wyoming Three pit is also being considered to determine if that resource could be expanded and the conceptual pit enlarged. Other reconnaissance drilling is being planned to see if further discoveries, such as the recently reported discovery at Caloma 600 metres east of Wyoming Three, can be factored into a longer term resource inventory to extend or expand the proposed development. This could facilitate a one million tpa open pit operation with gold production of 60-70,000 ounces per year and substantially increased cash flow.

The DFS program has commenced with emphasis focussed on optimisation of the open pits and determination of a practical production scenario. This program is scheduled for completion later this year but the timeframe could be extended if discovery of additional open pitable ore allows for an expanded operation.

Exploration

Additional results from aircore drilling at the new Caloma discovery which is located about 600 metres southeast of Wyoming Three and 800 metres northeast of Wyoming One, have confirmed the potential of the target zone. The mineralisation is evident in two zones associated with altered feldspar porphyry and volcanoclastic rocks, similar to Wyoming One, under shallow (6 metres) clay cover, with an open strike extent to the north of about 200 metres. To the south an interpreted major northwest trending structure may have displaced the zone.

This new discovery is another example of the potential of the Wyoming area and the Tomingley Gold Project regionally to present ongoing opportunities for additional mineralisation.

Hole No	East	North	Azimuth	Inclin	Intercept (m)	Grade (g/t Au)	Interval (m)	EOH (m)	Target Zone
PE046	614760	6393922	000°	-90°	9	1.29	13 – 22*	68	Caloma
incl					4	2.29	13 – 17*		
and					6	1.33	61 – 67		
incl					4	1.70	61 - 65		
PE051	614720	6393922	090°	-60°	9	1.06	15 - 24	76	Caloma
and					4	1.67	72 - 76		
PE062	614800	6394000	090	-60	12	0.55	18 - 30	56	Caloma
PE063	614760	6394000	090	-60	4	2.64	45 - 49	49	Caloma

Gold analysis by 50g fire assay of 3m composite aircore samples. (*1m resplit samples of original 3m composite results announced in March Quarterly.) True widths are not clear at this time.

DUBBO ZIRCONIA PROJECT (DZP)

Australian Zirconia Ltd (AZL) 100%

The **DZP** is located 30 kilometres south of the large regional centre of Dubbo, approximately 400 kilometres north-west of Sydney in the Central West Region of New South Wales. The DZP is based upon the large in-ground resource of the metals zirconium, hafnium, niobium, tantalum, yttrium, uranium and rare earth elements. Over several years, AZL has developed a process which can recover these metals into a number of products which have markets in the rapidly expanding suite of products used in the electronics, catalyst, advanced ceramics, pigment, special glasses and alloy industries, and in nuclear power applications.

As advised to the ASX on 11 April, Alkane received an offer for a **Commercial Ready Grant** totalling **\$3.29 million** spread over a twenty seven month period, and which took affect from 1 July. The Grant is on a dollar for dollar basis and will enable process optimisation, and construction and operation of the Demonstration Pilot Plant (DPP) for the DZP. Commercial Ready is an initiative of **AusIndustry**, a division of the Australian Government's Department of Industry, Tourism and Resources.

Process optimisation and development work has commenced at the laboratory facilities of **ANSTO Minerals** at Lucas Heights south of Sydney. ANSTO Minerals is a business unit of the Australian Nuclear Science and Technology Organisation and comprises a group of over 30 professional scientists and technicians with expertise that covers chemical engineering, metallurgy, mineralogy, chemistry, physics, applied mathematics, geology and radiation safety.

Depending upon progress with the process optimisation program, it is anticipated that construction of the DPP should commence early in 2007. This plant is scheduled to be operated for at least six months and this could be extended to twelve months depending upon any process issues and the amount of sample products required to be distributed to potential consumers. The feasibility database will be progressively updated to enable a development decision to be advised by the middle of 2008.

The Perth based specialist zircon, titanium mineral and pigment industry consultants, **TZ Minerals International Pty Ltd**, will continue to provide process and marketing advice, and project management for the DZP.

ORANGE DISTRICT EXPLORATION JOINT VENTURE - ODEJV (gold-copper)

Alkane Exploration Ltd 100%, subject to Newmont Australia Limited earning an initial 51%

Molong

Two diamond core holes were completed during the quarter at the Galloway and Charlies prospects. Drill hole details are summarised below

Hole No.	Prospect	AMG_East	AMG_North	Incl	Azimuth (°AMG)	PQ3	HQ3	NQ3	Total Depth
MDD033	Galloway	682100	6323020	-70	0	17.4	448.2	0	465.6
MDD034	Charlies	680505	6321325	-60	235	17.7	185.6	301	504.3

MDD033 (Galloway) targeted an intense aeromagnetic high associated with monzodiorite intrusives, copper & gold anomalism in soils and skarn development. The core is dominated by strongly magnetic mafic intrusives including diorites grading to gabbro with rare pyroxenite inclusions. The hole is not strongly mineralised with the exception of minor dyke like bodies of monzodiorite, monzonite and syenite hosting quartz–calcite–chlorite–pyrite–chalcopyrite bearing veins of porphyry affinity. These mineralised dykes and veins are sub-parallel to drilling direction and hence drilling is considered poorly oriented to test mineralisation of this style.

MDD034 (Charlies) was designed to test coincident magnetic and IP chargeability highs with supporting gold geochemistry and north-northwest orientated magnetic discontinuities. The upper part of the hole is dominated by carbonate altered sediments variously intruded by haematite-magnetite altered dykes and sills. Minor zones of quartz-calcite-pyrite-chalcopyrite veinlets of porphyry affinity were observed, as well as minor quartz-carbonate-sphalerite-galena-pyrite veinlets.

The lower part of the hole is dominated by a medium grained, diorite intrusive. In part the diorite intrusive is strongly cross cut by carbonate-sericite-pyrite-epidote-garnet? veining, suggesting alteration by an alkaline, calc-silicate magmatic fluid.

No significant intersections are anticipated from the holes, however the presence of ‘porphyry-style’ veining, in combination with associated skarn mineralisation identified in the 2005 drilling is considered encouraging and further work on the Galloway prospect is planned.

Moorilda

As reported in the March Quarterly, a soil auger sampling program tested part of the 3km long soil target identified by previous explorers in the McPhillamys area. The results have delineated a robust +100ppb Au response within a 650 x 200m area with coincident anomalous indicator trace elements. The anomaly includes a gold maxima 2g/t Au, and is centred about the historic McPhillamys Hill Gold Mine.

Reconnaissance mapping has recorded intensely argillic altered (sericite/muscovite) rocks hosting up to 50% iron-oxide after sulphide, and sheeted 1-30cm quartz veins within the target zone. In addition, the gold-in soil response is strongly co-incident with a discrete aeromagnetic anomaly and is located adjacent to the terrane bounding Godolphin Fault and north-south trending fault splays.

These results suggest the McPhillamys area has excellent potential to host a large tonnage gold deposit and further testing of the prospect is planned via diamond core drilling and selected aircore traverses.

CUDAL (gold-copper), WELLINGTON (copper-gold) and BODANGORA (gold-copper).

Data compilation continued on all three projects during the quarter and a number of existing geological, geophysical and geochemical targets were identified. Testing of some of these targets will be programmed in the future.

WESTERN AUSTRALIA

LEINSTER REGION JOINT VENTURE (nickel-gold)

Alkane Exploration Ltd 49%, Jubilee Mines NL 51%

*The three prospects - **Leinster Downs**, **Miranda** and **McDonough Lookout** - are subject to a farm-in agreement with Jubilee Mines NL where Jubilee can earn a 75% interest in the properties by spending \$4.5M before June 2006. In March 2002 Jubilee reported expenditures to earn a 51% interest and have elected to continue to earn a further 24%.*

Jubilee has advised that a number of field programs were completed on the three projects and included:-

Miranda

Ground magnetic on the western side of the project and soil sampling of the entire tenement; further aircore drilling; re-interpretation of geological and aeromagnetic data; and extension of core hole TAD013 (by 113.3m) at the Taurus Prospect where previous drilling had intersected disseminated and narrow massive nickel sulphide mineralisation (0.2m @ 8.1%Ni). No significant mineralisation was intersected in the hole extension.

McDonough Lookout

A total of 88 aircore holes (2815m) were completed on the southern portion of the project for lithochemical evaluation. Results are not yet available.

Leinster Downs

The program included soil sampling, while 11 RC holes (570m) and 1 core hole (54m) were drilled on the southern komatiite target zone. Results are awaited.

NULLAGINE DIAMOND PROJECT (diamonds, iron, gold)

Alkane Exploration Ltd 60%, Randolph Resources Syndicate 40%

Title to the three exploration licences totalling 650km² were finally granted on 24 April.

Alkane continued to review the options to advancing the exploration and development of the potential 150 to 220 million tonne channel iron deposits at Bonnie Creek within the tenements.

CORPORATE

As advised to the ASX on 4 and 25 July, the Company announced a placement, entitlements issue and Board changes to facilitate progress with the Wyoming DFS and Dubbo Zirconia Project development programs.

The placement raised \$3.735million by issue of 24.9M shares at a price of A\$0.15 to Abbotsleigh Pty Ltd, a company associated with Gandel Metals Pty Ltd. Gandel Metals will also fully underwrite a non-renounceable offer to existing shareholders on a basis of one new share for every 20 shares held at an issue price of A\$0.15. This issue of up to 9.545million ordinary fully paid shares will raise up to A\$1.431million (less costs).

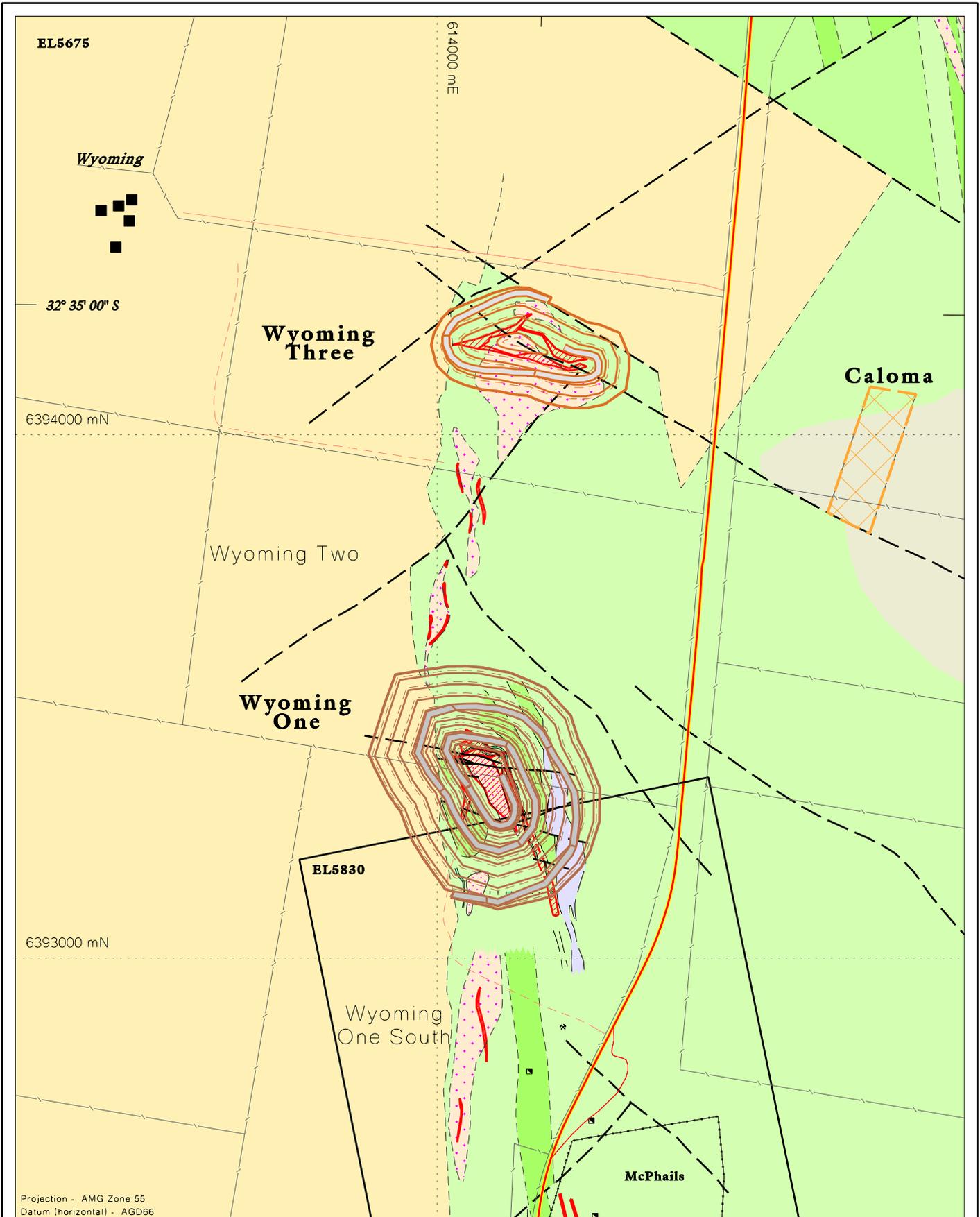
Mr Ian Cornelius has retired as Executive Chairman but will remain as a Non-executive Director, while Mr John Dunlop joins the Board as Non-executive Chairman. Mr Ian Gandel also joins the Board as Non-executive Director, and Mr Lindsay Colless will step down as a Director but will remain as Company Secretary.

DI Chalmers

Technical Director

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Mr D I Chalmers, FAusIMM, FAIG, (director of the Company) has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ian Chalmers consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



EL5675

Wyoming

32° 35' 00" S

614000 mE

Wyoming Three

Caloma

6394000 mN

Wyoming Two

Wyoming One

EL5830

6393000 mN

Wyoming One South

McPhails

Projection - AMG Zone 55
Datum (horizontal) - AGD66

Legend

Geology

- Massive, well foliated pelitic siltstone (Cotton Formation)
- Feldspar porphyry
- Undifferentiated volcaniclastic sediments
- Undifferentiated black graphitic shales and grey foliated siltstones
- Black graphitic shales
- Quartz and volcaniclastic sandstone pebble conglomerate
- Feldspar ± hornblende phyric andesitic lava
- Strongly sheared, chlorite-talc schist

Mineralization

- Mineralization

Geological Symbols and Ornamentation

- Fault, inferred
- Shear zone
- Geological boundary, inferred
- Quartz zone

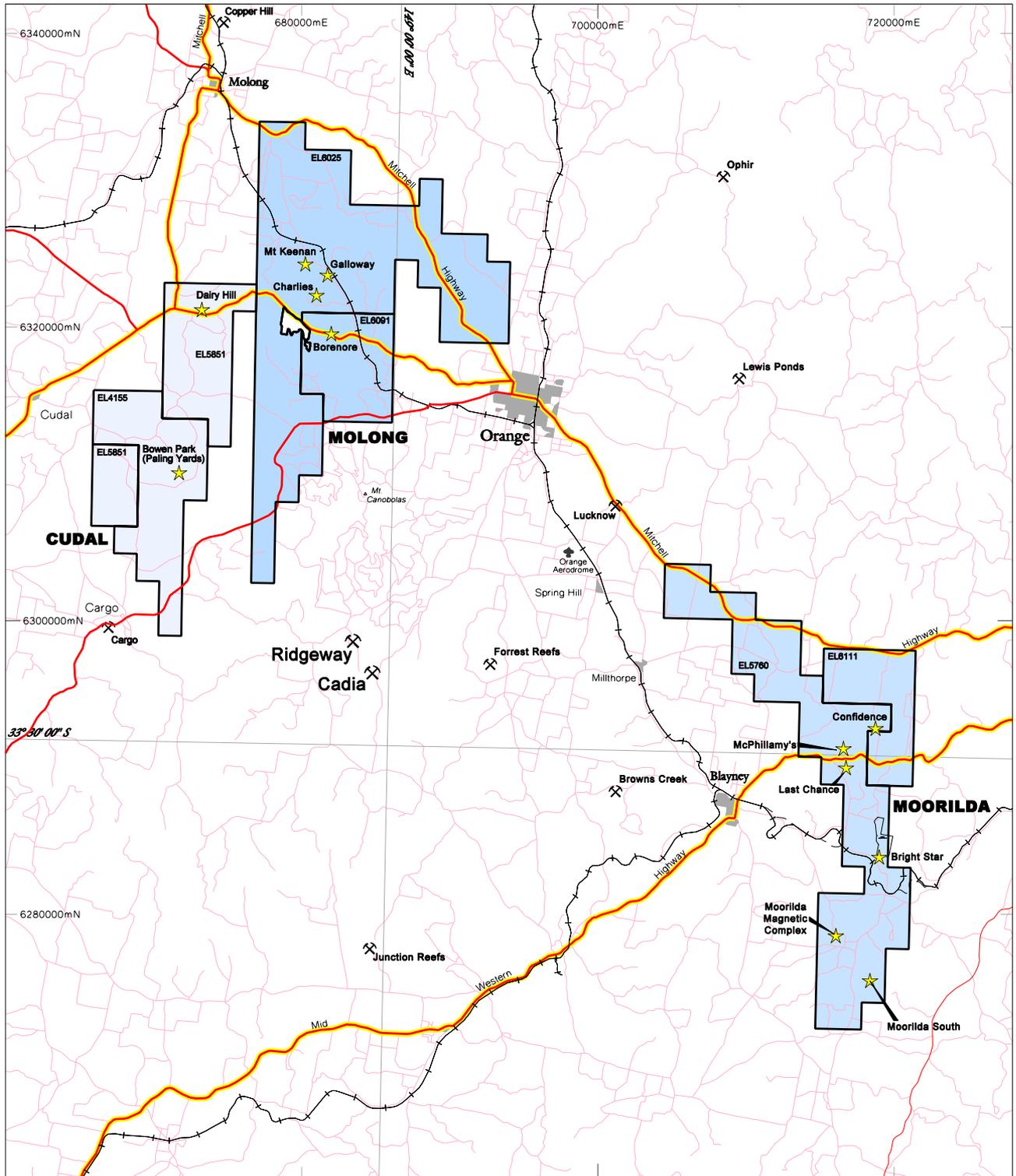


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**TOMINGLEY GOLD PROJECT
WYOMING PROSPECT
Proposed Pit Locations
& Geology**

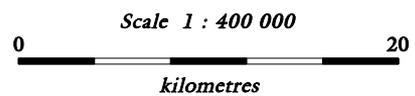
Wyoming One to 100m RL
Wyoming Three to 210m RL

Figure No.: 2



LEGEND

- ★ Alkane prospect
- ⚡ Current or historic mine



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**ORANGE AREA
NEW SOUTH WALES**

Location Plan

Figure No.: 1