

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)**. Activity in the Quarter was focussed on completing the revised geological/resource model to be incorporated into the feasibility study for the Wyoming deposits. A small aircore drilling program was also completed to test for potential additional mineralisation away from the existing resources.

Pre-feasibility Study

The revised geological and resource model for the Wyoming One deposit is nearing completion, and has included results and data from the extensive diamond core program completed last year. This model is being incorporated into the feasibility study for the optimal development of the Wyoming deposits. The conceptual development remains as a 500,000 tonnes per annum open pit operation followed by 250,000 tonnes per annum underground mining, with conventional CIL (carbon-in-leach) gold recovery circuit.

The study should be completed shortly and the outcome will certainly be enhanced by the dramatic increase in the Australian dollar gold price.

Exploration

A small program of 57 aircore holes totalling 3,842 metres was drilled to test extensions to the Paton's East mineralisation and also to check the sub-cover geology of the Caloma aeromagnetic anomaly located to the northeast and east of Wyoming One.

At Paton's East several holes returned individual 3 metre composite results of 0.1g/t to 0.36g/t gold with a peak response of 0.7g/t gold. These results have not yet been tied into the existing zone at Paton's East but the area remains a potential target for mineralisation. An east-west reconnaissance line of holes was drilled to test the geology of a sub-circular aeromagnetic anomaly below transported clay cover at Caloma. Hole PE046 intersected alteration and veining similar to that hosting the mineralisation at Wyoming, with encouraging results.

Hole No	East	North	Azimuth	Inclin	Intercept (m)	Grade (g/t Au)	Interval (m)	EOH (m)	Target Zone
PE046	614760	6393922	000°	-90°	6	1.95	12 - 18	68	Caloma
and					6	1.42	60 - 66		

Gold analysis by 50g fire assay of 3m composite aircore samples. True widths are not clear at this time.

The mineralisation is located about 600 metres southeast of Wyoming Three and 800 metres northeast of Wyoming One and was evident in two zones associated with altered feldspar porphyry and volcanoclastic rocks, under shallow (6 metres) clay cover. Several follow up holes have been drilled to check the extent of the zone and while results for the follow up are not yet available, logging of drill chips has indicated that similar alteration and veining is evident in the line to the north giving an open strike extent of at least 100 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.

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.

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

Commercial Ready (**CR**) is a competitive, merit-based grant program supporting innovation and its commercialisation. AusIndustry offers industry a single entry point to competitive grants for early-stage commercialisation activities, research and development (R&D) with a high commercial potential, and proof-of-concept activities. CR is the Australian Government's flagship innovation grants product, providing around \$200 million a year to small and medium sized enterprises, between 2004 and 2011. It is designed to increase Australia's sustainable economic growth by stimulating innovation in businesses.

The **CR Grant** recognises the innovative nature and commercial potential of the DZP and will provide an important catalyst for the Project. It will also enable Alkane to advance the Project simultaneously with other developments such as the Wyoming gold deposit and exploration initiatives in the region.

It is anticipated that the process work could be started by the end of June, with the construction of the DPP to commence before the end of the year. This plant is scheduled to be operated for at least six months but 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.

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

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

Newmont have commenced the 2007 exploration program, with work programmed for the **Molong** and **Moorilda** tenements.

Molong

The final results for last years drilling were received during the Quarter, and reported to the ASX on 16 March. While no significant gold or copper intersections were recorded, the extensive alteration and sub-grade mineralisation were considered very encouraging. These widely spaced reconnaissance holes have confirmed the potential of the project area to host both porphyry and associated skarn style and sedimentary replacement style mineralisation.

Two deep diamond core holes (~500m each) are scheduled to commence shortly to follow up the drilling and test geological and geophysical targets at **Charlies** and **Galloway**.

Moorilda

An auger soil geochemistry program has been completed at the **McPhillamy's Prospect**, where previously a wide spaced partial extraction soil geochemistry program had defined a coincident gold and indicator trace element anomaly in excess of 3 kilometre strike length. Ground reconnaissance within this prospect area has identified extensive argillic alteration and minor quartz veining over an area of 1.2 kilometres by 300 metres. Scattered historic prospector pitting has also been observed and limited surface rock chip sampling has returned vales up to 1g/t gold.

The initial program has covered a 1 kilometre strike length of the anomaly with 385 samples collected on a 50 by 100 metre grid. Results have demonstrated a number of distinctive gold and trace element anomalies with a significant target centred on the old McPhillamy's Hill gold mine. This feature, defined by +100ppb gold, extends over an area of 650 metres by 200 metres, with a peak value of 2000ppb (2g/t) gold. The target remains open to the northwest and southwest.

These results are considered very encouraging and early reconnaissance drilling is being considered.

CUDAL (gold-copper), WELLINGTON (copper-gold) and BODANGORA (gold-copper). Limited field reconnaissance programs were completed during the quarter to check several geological and geophysical targets on the properties, to enable future planning.

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 have advised that while no field work was carried out during the Quarter, an exploration program including aircore drilling, surface EM and geochemical surveys has commenced.

NULLAGINE DIAMOND PROJECT (diamonds, iron, gold)

Alkane Exploration Ltd 60%, Randolph Resources Syndicate 40%

A previously unidentified Native Title Group lodged an objection to the grant of the tenements in January. This objection was withdrawn after a new Heritage Agreement was signed and grant is now anticipated late April.

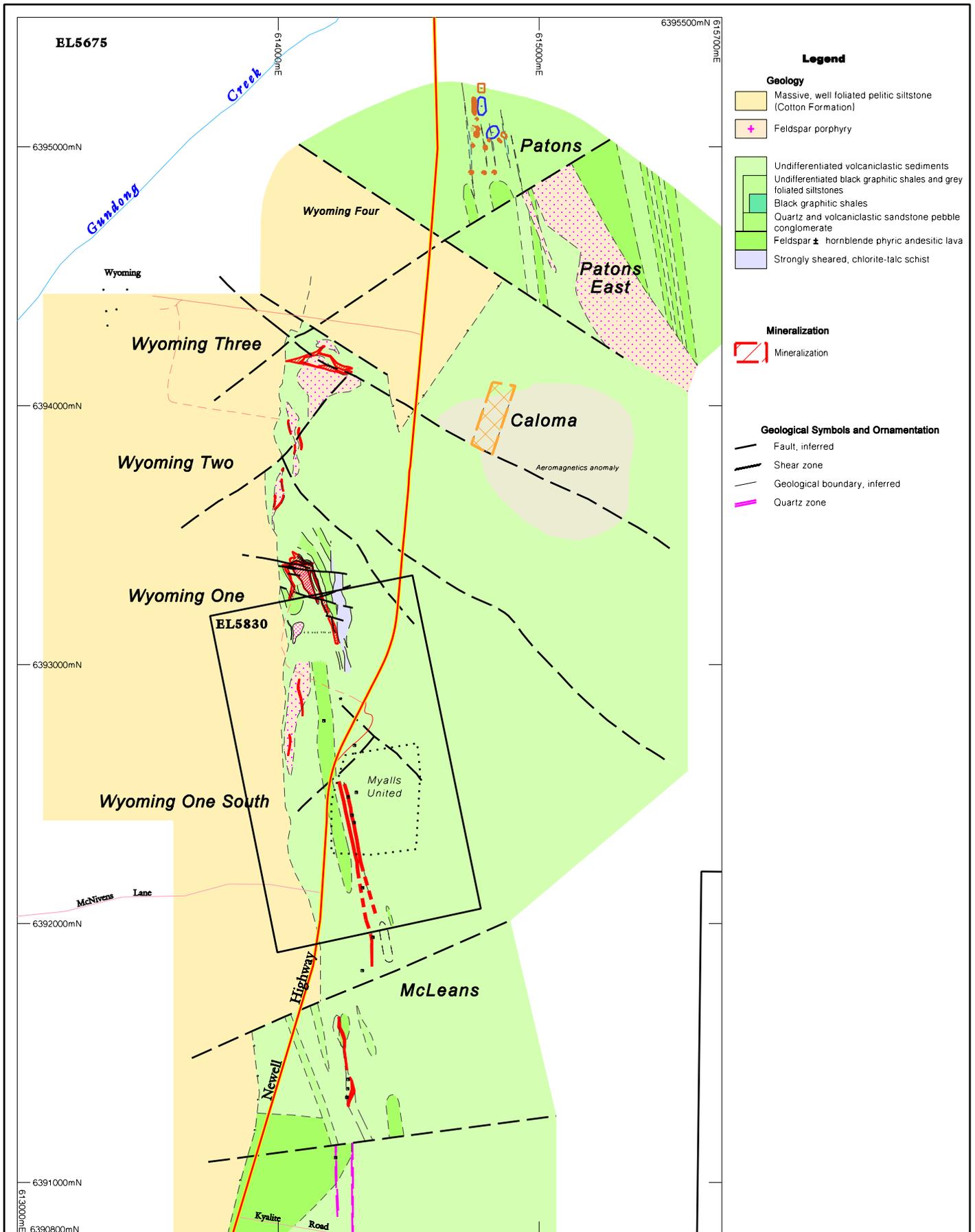
Alkane continued to review the options to advancing the exploration and development of the potential 150 to 220 million tonne channel iron deposits at Bonnie Creek within the tenements.

DI Chalmers

Technical Director

ALKANE EXPLORATION LTD

Mr DI 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.

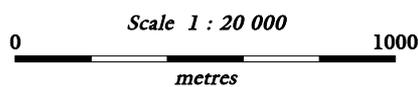


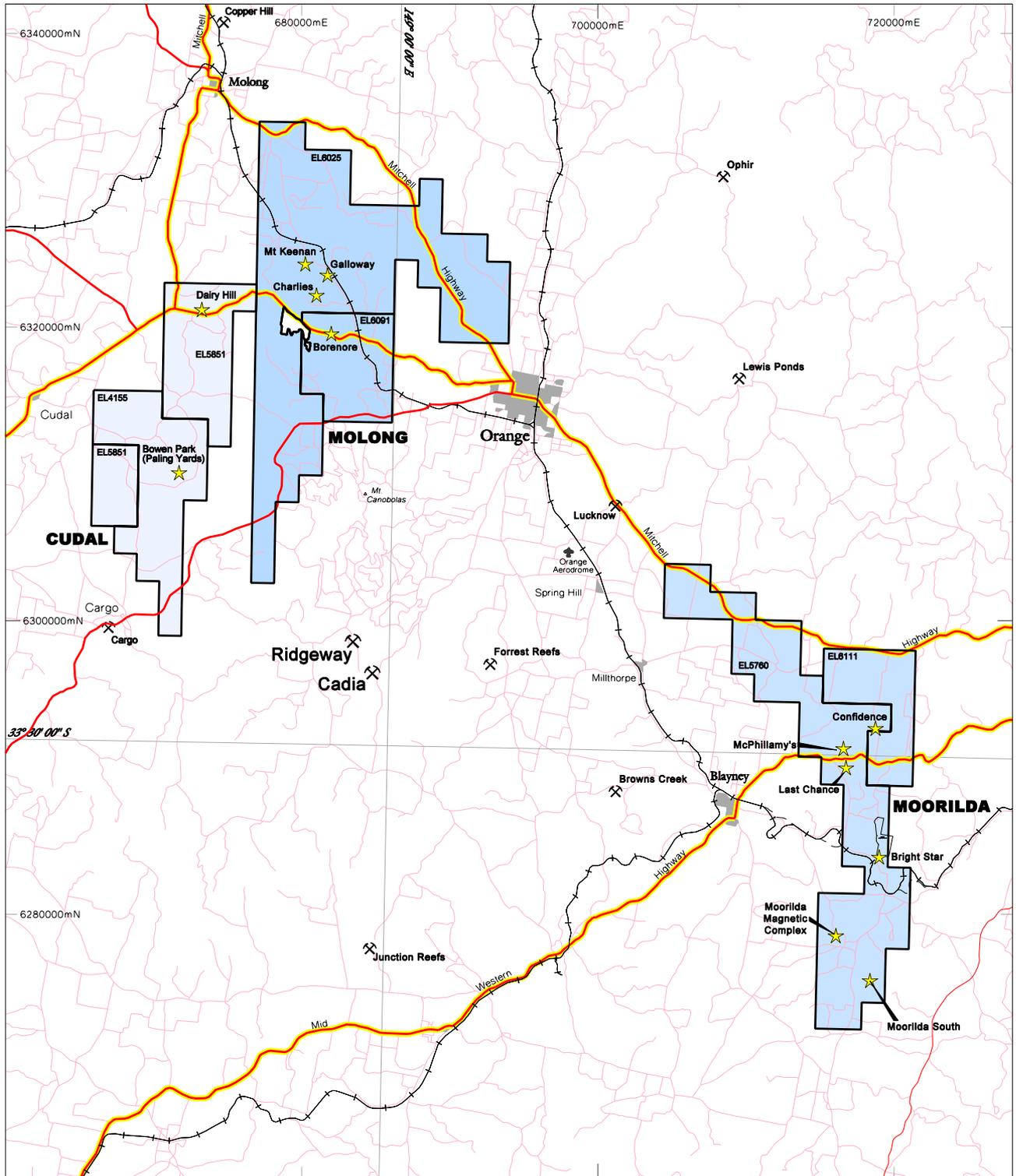
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TOMINGLEY GOLD PROJECT
NEW SOUTH WALES

**Wyoming One to McLeans South
Geology**

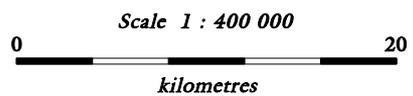
Figure No.: 1





LEGEND

- ★ Alkane prospect
- ⌘ Current or historic mine



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**ORANGE AREA
NEW SOUTH WALES**

Location Plan

Figure No.: 2