



ALKANE EXPLORATION LTD

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Manager Announcements
Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Molong Project – LFB Resources NL and Rio Tinto Exploration Pty Ltd

Alkane Exploration Ltd (**Alkane**) is pleased to advise that they have reached agreement with Rio Tinto Exploration Pty Limited (**Rio**) for waiver of re-assignment obligations under agreement dated 1 September 1997 for the acquisition by Alkane's subsidiary, LFB Resources NL (**LFB**), of certain mineral interests in New South Wales.

In consideration for waiver of the re-assignment obligations Alkane has agreed to issue 2 million ordinary fully paid shares to Rio's nominee at a deemed issue price of 20 cents each. Under the terms of the original agreement LFB would have been obliged to pay Rio A\$1 million cash as deferred consideration for a number of tenements acquired in 1997.

The Molong Project currently comprises Exploration Licences 6025 and 6091 centred to the north and west of the city of Orange and lies within the central part of the Molong Volcanic Belt (MVB), immediately to the north of the Cadia Valley Operations (~30Moz) of Newcrest Mining. The MVB includes andesitic volcanic and volcanoclastic sequences, limestones and intrusive monzonitic and dacitic rocks.

A number of prospective targets exist within the project area and these have been tested by various programs including geological mapping; auger soil geochemistry; Induced Polarisation; detailed aeromagnetics; and RC and diamond core drilling.

The drilling recorded several ore grade intercepts and confirmed the potential of the Molong Project area to host a major dioritic to monzonitic intrusive complex of the same age and composition as those rocks that host the giant Cadia-Ridgway deposits.

Yours faithfully,
for **ALKANE EXPLORATION LTD**

D I Chalmers
Technical Director