



ALKANE EXPLORATION LTD

ABN 35 000 689 216

13 December 2002

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

ASX ANNOUNCEMENT

KMI DECIDE NOT TO EXERCISE OPTION ON DUBBO ZIRCONIA PROJECT

Kawatestu Mining Company Ltd and Itochu Corporation (KMI) have advised Alkane that they have decided not to exercise their option to acquire a 40% interest in the Dubbo Zirconia Project (DZP) through an investment in Australian Zirconia Ltd, a wholly owned subsidiary of Alkane.

KMI paid Alkane \$1 million in April 2001 for the option to take up the interest after the completion of a feasibility study. As previously reported, this study was finalised in September this year.

The strategic significance of the deposit has been internationally recognised and the Company has been approached by organisations interested in its potential development. These organisations include companies that are currently zirconia producers and have an interest in the long term supply of product. Discussions with the interested groups will be advanced as soon as possible.

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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 Australian Code for Reporting of Identified Mineral Resources and Ore Reserves, September 1999, and accurately reflects information compiled by the competent person.