



ASX ANNOUNCEMENT – 19 January 2009

McPHILLAMYS RESULTS CONFIRM EXTENSIVE GOLD MINERALISATION

- **Diamond core drilling was completed late in 2008 further testing the main McPhillamys zone and nearby targets. Results have been received for an additional two core holes.**
- **The results confirm the extensive McPhillamys gold mineralisation.**

KPD 014	304 metres grading 0.64g/t gold from 72 metres
incl	151 metres grading 0.93g/t gold from 225 metres
also	6 metres grading 1.48g/t gold from 88 metres
also	46 metres grading 1.29g/t gold from 250 metres
also	23 metres grading 1.99g/t gold from 324 metres

- **The McPhillamys Prospect is located within the Moorilda Project which is centred about 35 kilometres south east of Orange in the Central West Region of New South Wales and forms part of the Orange District Exploration Joint Venture (ODEJV) with Newmont Australia Limited.**
- **Newmont have elected to become Operator of the Joint Venture from 1 January 2009.**
- **The 2009 program will be determined once all 2008 results have been received and assessed.**

Corporate Profile

Alkane Board

J. S. F. Dunlop (Chairman)

D. I. Chalmers (Managing Dir)

A. D. Lethlean

I. J. Gandel

I. R. Cornelius

L. A. Colless (Joint Secretary)

K. E. Brown (Joint Secretary)

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12 month share price
range

A\$0.515 - \$0.10

Market Cap 16 January 08

~A\$43 million

ASX Code: ALK

244.8 million shares (June 08)

December 30 2008 Cash

~\$8.0 million

No debt

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The **McPhillamys** prospect is located within the **Moorilda Project** which is centred about 35 kilometres south east of Orange in the Central West Region of New South Wales. The Project covers 175km² and forms part of the **Orange District Exploration Joint Venture (ODEJV)** with **Newmont Australia Limited (NAL)**. NAL is a subsidiary of Newmont Mining Corporation and is funding the first A\$5 million expenditure to earn an initial 51% interest in the ODEJV. NAL can earn an additional 24% by funding all expenditures to the completion of a Bankable Feasibility Study.

In 2006 the joint venture reported the discovery of significant gold mineralisation within altered Silurian aged felsic volcanics and sediments at McPhillamys. Follow up drilling in late 2007 and throughout 2008 confirmed extensive gold mineralisation. Details are summarised in the **Background** information at the end of this report.

Since drilling recommenced in June, fourteen core holes (KPD003 – KPD016) totalling 5,203 metres (including the extension to KPD003) and fifteen RC holes (KP101 – KP 115) for 3,312 metres have been completed. The drilling has been largely concentrated in the central or main zone at McPhillamys, but holes also tested adjacent pole-dipole induced polarisation (PDIP) chargeability anomalies to the north, south and west of McPhillamys, and at Kings Plains located about 2 kilometres to the southeast.

Results for core holes KPD003 - KPD011 and RC holes KP101 – KP115 have previously been reported. Results have now been received for **KPD012 - KPD014**, and results are summarised in Table 1.

KPD012 tested a moderate PDIP chargeability anomaly and associated surface geochemical anomaly at McPhillamys East, about 1 kilometre north of the encouraging KPD004 (78 metres @ 1.04g/t gold) at Kings Plains. While the core showed interesting alteration and sulphide mineralisation, only minor gold and zinc values were returned. This zone of several kilometres length remains only partially tested. **KPD014** was drilled in the main McPhillamys zone (figure 1) below KPD001 (77 metres 1.65g/t gold), and above more weakly mineralised KPD009 (figure 2). The results demonstrate a broad higher grade interval within an extensive zone of low grade gold mineralisation (304 metres grading 0.64g/t gold) below that in KPD001.

KPD016 was completed late in the year and the core has been logged and sampled. Results will be released when available. The hole was drilled to test a conceptual northerly plunge to the high grade core of the gold mineralisation intersected on sections to the south, including KPD003 – KPD011.

The results continue to confirm that the plus 0.5g/t gold mineralisation extends over a north south strike of at least 600 metres with widths up to 200 metres. This mineralisation is largely hosted by steep east-dipping, altered coarse grained dacitic volcanoclastic sediments and breccias, with variable sulphide content up to 10%. Quartz veining is rare. Finer grained dacitic sediments flank the coarser volcanics to the east and west, but these do not normally carry gold mineralisation.

While the 2008 drilling results have been very positive, the general understanding of the distribution of the gold mineralisation along strike, down dip and down plunge, and any lithological or structural controls on mineralisation is still not clear.

The 2009 program will be finalised once all current drill results have been received and assessed.

Newmont have advised Alkane that it would assume the role of Operator of the ODEJV as from 1 January.

BACKGROUND

Alkane is a multi commodity explorer and miner with its operations focussed in the **Central West of New South Wales**, centred about 400km northwest of Sydney. Over several years, including experience in



developing the Peak Hill Gold Mine, Alkane has built a substantial resource base and is proceeding towards several developments:

The **Tomingley Gold Project** currently has a **606,000 ounce gold resource** within the **Wyoming deposits**, of which 75% is in the Measured and Indicated categories (full details 2007 Annual Report). The recent discovery at **Caloma** could add significantly to the resource base and a substantial drilling program has been completed to define this resource. A feasibility study for the development of the project is anticipated to be completed mid 2009.

The **Dubbo Zirconia Project** is based upon a world class resource of the metals zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements. The deposit also contains significant uranium. Over several years Alkane has developed a flow sheet which can recover a variety of products which have expanding applications in electronics, ceramics, catalysts, special alloys and glasses, fuel cells, special batteries and permanent magnets, nuclear power and as environmental drying agents. Following a \$3.3 million Commercial Ready Grant from AusIndustry in 2006, the feasibility study was reactivated. The study includes the construction and operation of a Demonstration Pilot Plant, and a development commitment is anticipated late 2009.

Near **Orange**, the Company has a joint venture (**ODEJV**) with Newmont, one of the world's largest gold miners, which resulted in the discovery in 2006 of a potentially significant gold deposit at **McPhillamys** within the **Moorilda Project**. This discovery includes intersections of 123 metres grading 1.96g/t gold and 77 metres at 1.65g/t gold within a 600 metre by 200 metre mineralised zone. Recent diamond drilling has confirmed the potential of the project to host a major gold system with an intersection in **KPD003 of 366 metres grading 1.85g/t gold**.

Elsewhere within the region, Alkane has defined a 2 million tonne 1.00% copper Indicated Resource (details 2007 Annual Report) which is being reviewed for its development potential at **Galwadgere** within the **Wellington Project**, and several other advanced exploration projects with encouraging drill intercepts.

In **Western Australia** the Company holds 9 million shares (15.15%) of listed iron ore explorer **BC Iron Limited** and a diluting 25% residual interest in a nickel sulphide joint venture with **Xstrata Nickel (Jubilee)** near **Leinster**.

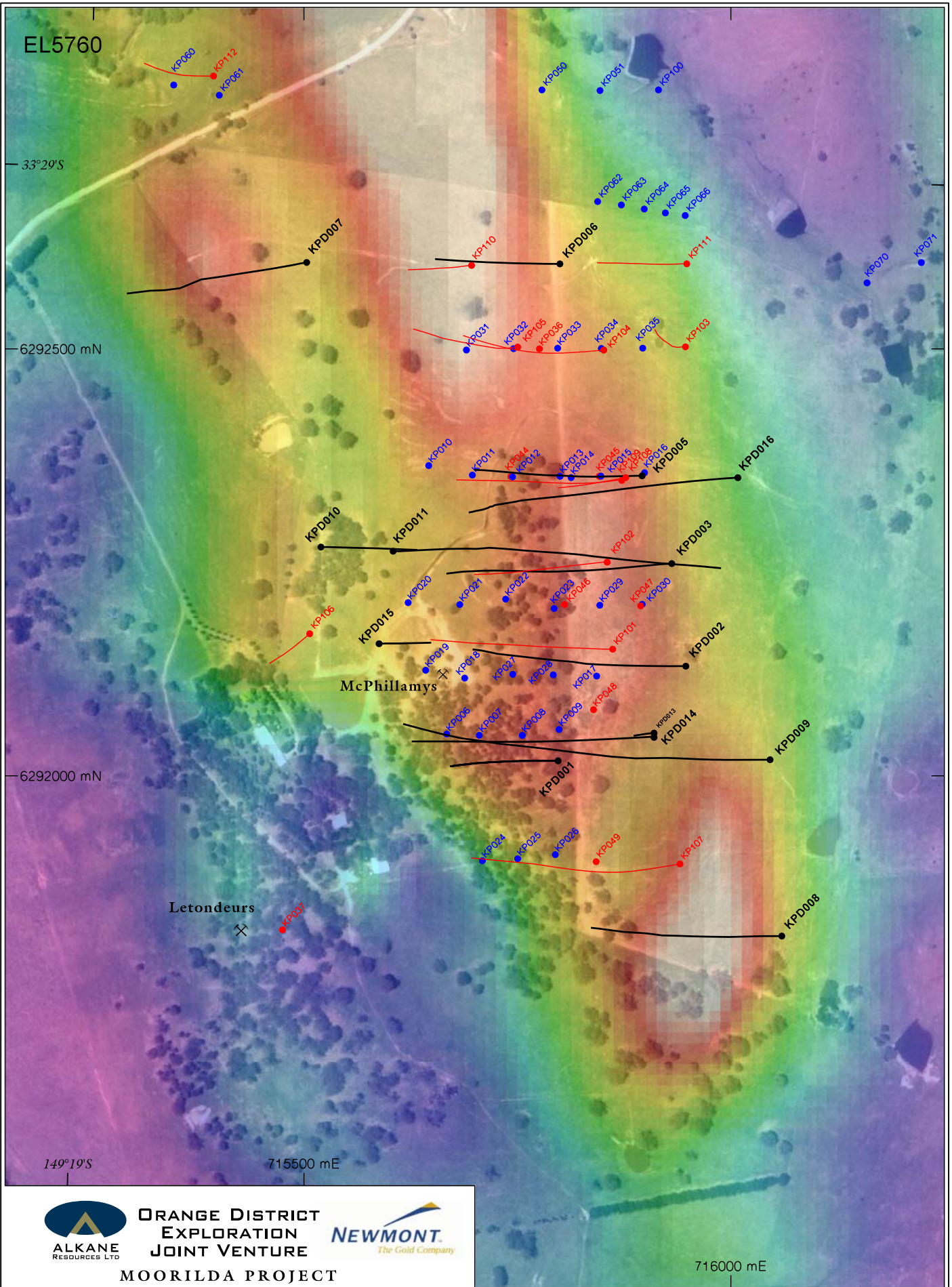
Table 1: Summary drill core results for McPhillamys Prospect @ 19 January 2009.

Hole No	East	North	RL (m)	Azimuth	Inclin	Intcpt (m)	Grade (g/t Au)	Interval (m)	EOH (m)	Comments
KPD 012	716795	6291395	983	270°	60°	No Significant Results			327.6	McPhills East
KPD 013	715909	6292049	963	266°	60°	Hole Abandoned			48.9	
KPD 014	715909	6292045	963	266°	60°	304	0.64	72 – 376	477.5	
incl						151	0.93	225 - 376		
also						6	1.48	88 – 94		
also						46	1.29	250 - 296		
also						23	1.99	324 - 347		
KPD 015	715588	6292155	946	088°	60°	Hole Abandoned			120	
KPD 016	716008	6292349	951	265°	70°	Sampling in Progress			780.0	

Gold analysis by 50g fire assay and base metals by ICP at generally 1 metre half core intervals. True widths are about 75% of intersection.

Both **KPD013** and **KPD015** were abandoned due to poor ground conditions.

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.



**ORANGE DISTRICT
EXPLORATION
JOINT VENTURE**



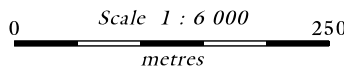
**MOORILDA PROJECT
McPhillamys Prospect**

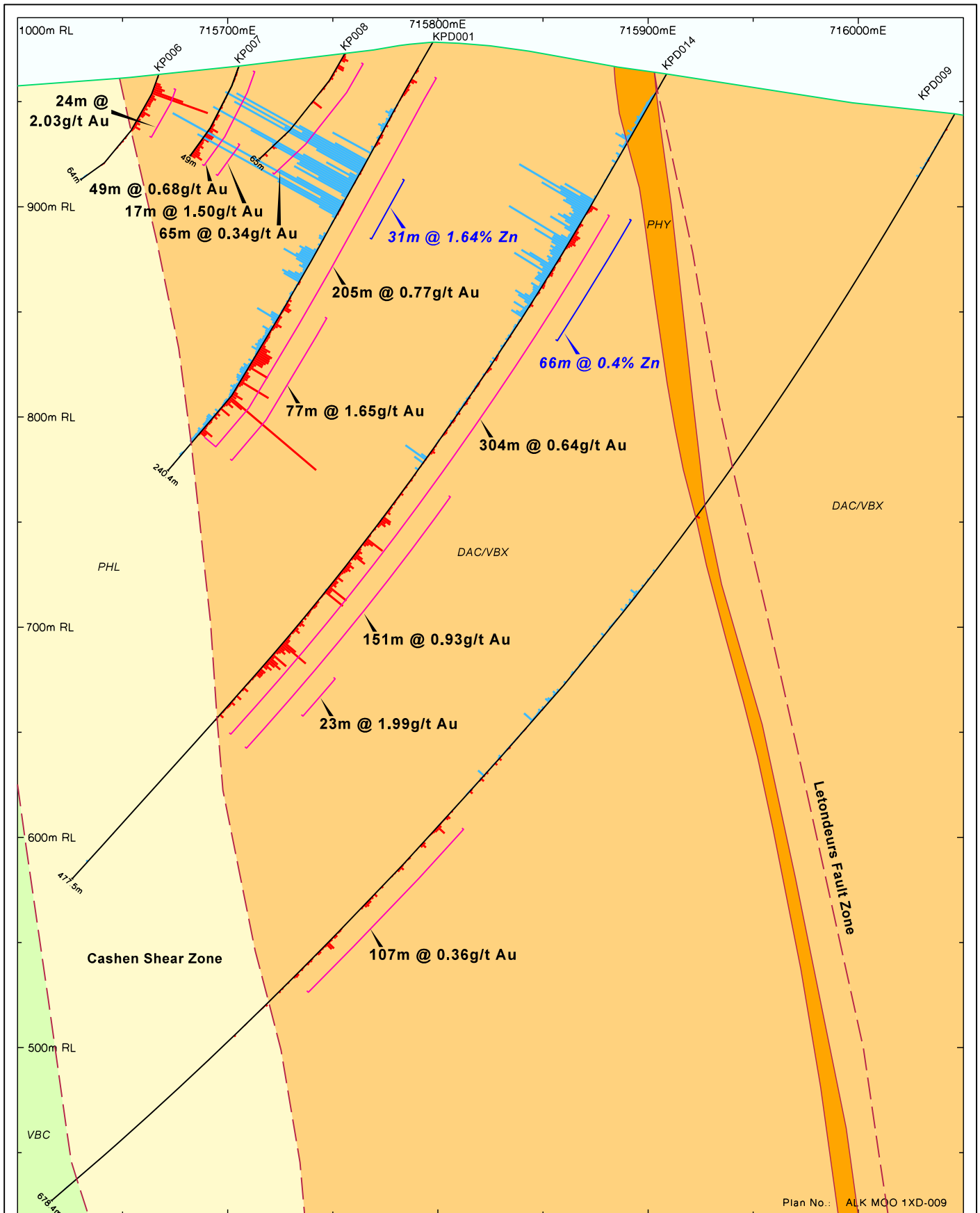
Drill Hole Location & Imaged IP at 100m depth

Figure No.: 1

Legend

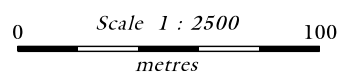
- RC drill hole
- Air core drill hole
- Diamond drill hole and trace





Plan No.: ALK MOO 1XD-009

- VBC Magnetite altered, intensely foliated, breccia
- PHL Sericitised, strongly foliated dacitic volcanics (phyllite)
- DAC/VBX Sericitised, strongly foliated dacitic breccia
- VCS Unaltered, strongly foliated dacitic volcanoclastics
- PHY Weakly foliated, coarse grained dacitic porphyry
- VSI/VMS Intensely foliated, dacitic volcanoclastics with common stratiform sulphides
- 1mm = 1g/t Au
 Gold histogram, 1mm = 1g/t Au
- 1mm = 0.1% Zn
 Zinc histogram, 1mm = 0.1% Zn



MOORILDA PROJECT
McPhillamys Prospect
Cross Section
6292025mN
 Figure No. : 2