



ASX ANNOUNCEMENT – 10 February 2009

FINAL 2008 McPHILLAMYS RESULTS EXTEND MINERALISATION TO DEPTH

- **Diamond core drilling was completed late in 2008 further testing the main McPhillamys zone and nearby targets. Results have been received for the final core hole KPD016.**
- **The results confirm that the McPhillamys mineralisation extends to at least 650 metres vertical depth.**

**KPD 016 164 metres grading 0.55g/t gold from 616 metres
incl 9 metres grading 1.03g/t gold from 662 metres
and 13 metres grading 4.02g/t gold from 742 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.**
- **Previous 2009 McPhillamys core intercepts include:**
KPD 003 366 metres grading 1.85g/t gold from 134 metres
KPD 005 201 metres grading 0.93g/t gold from 229 metres
KPD 011 236 metres grading 1.23g/t gold from 219 metres
KPD 014 151 metres grading 0.93g/t gold from 72 metres
- **Newmont became Operator of the Joint Venture from 1 January 2009.**
- **The 2009 program is currently being considered.**

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 9 February 08

~A\$ 43 million

ASX Code: ALK

244.6 million shares (Dec 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.

Since drilling recommenced in June 2008, 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.

KPD016 was completed late in the year to test down dip of known mineralisation in KPD005 and a conceptual northerly plunge to the high grade core of the gold mineralisation. Results have been received for the hole and are summarised in Table 1 (figures 1 & 2). The core contained broad intervals of low grade gold mineralisation with rare higher grades and is not a conclusive test of the north plunging concept.

The core was still in mineralisation when halted at 780.8 metres and is the deepest intersection completed to date at about 650 metres vertical depth. The hole failed to intersect the western contact of the mineralised zone which could indicate that the dip on this section is vertical or steep west and the hole may need to be extended to confirm that the complete mineralised zone has been tested.

The results of the 2008 drilling program confirmed that a plus 0.5g/t gold mineralised envelope extends over a north south strike of at least 600 metres with widths up to 200 metres. This mineralisation is largely hosted by a generally steep east-dipping, altered coarse grained intermediate volcanic and intrusive sequence, with variable sulphide content up to 10%. Quartz veining is rare. Structurally overlying the mineralised system to the east are unaltered fine-grained sediments with a package of intensely deformed intermediate volcanics flanking the system to the west.

While the drilling results have been very positive, the understanding of the exact controls on gold mineralisation, along strike, down dip and down plunge is still not clear. The drilling data also suggests that there may either be surface depletion of the gold with many shallow holes showing irregular and generally lower grades than the deeper core and RC holes. Additional drilling will be required to evaluate these concepts.

The ODEJV is currently reviewing all the exploration results for the project and the 2009 program should be finalised shortly.

Table 1: Summary drill core results for McPhillamys Prospect @ 10 February 2009.

Hole No	East	North	RL (m)	Azimuth	Inclin	Intcpt (m)	Grade (g/t Au)	Interval (m)	EOH (m)	Comments
KPD 016	716008	6292349	951	265°	70°	164.8	0.55	616 – 780.8	780.8	
incl						9	1.03	662 - 671		
and						13	4.02	742 - 755		
Hole No	East	North	RL (m)	Azimuth	Inclin	Interpt (m)	Grade (%Zn)	Interval (m)	EOH (m)	Comments
KPD 016	716008	6292349	951	265°	70°	43	0.45	240 - 283	780.8	
incl						17	0.77	265 - 283		

Gold analysis by 50g fire assay and base metals by ICP at generally 1 metre half core intervals. True widths are about 65% of intersection.



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.

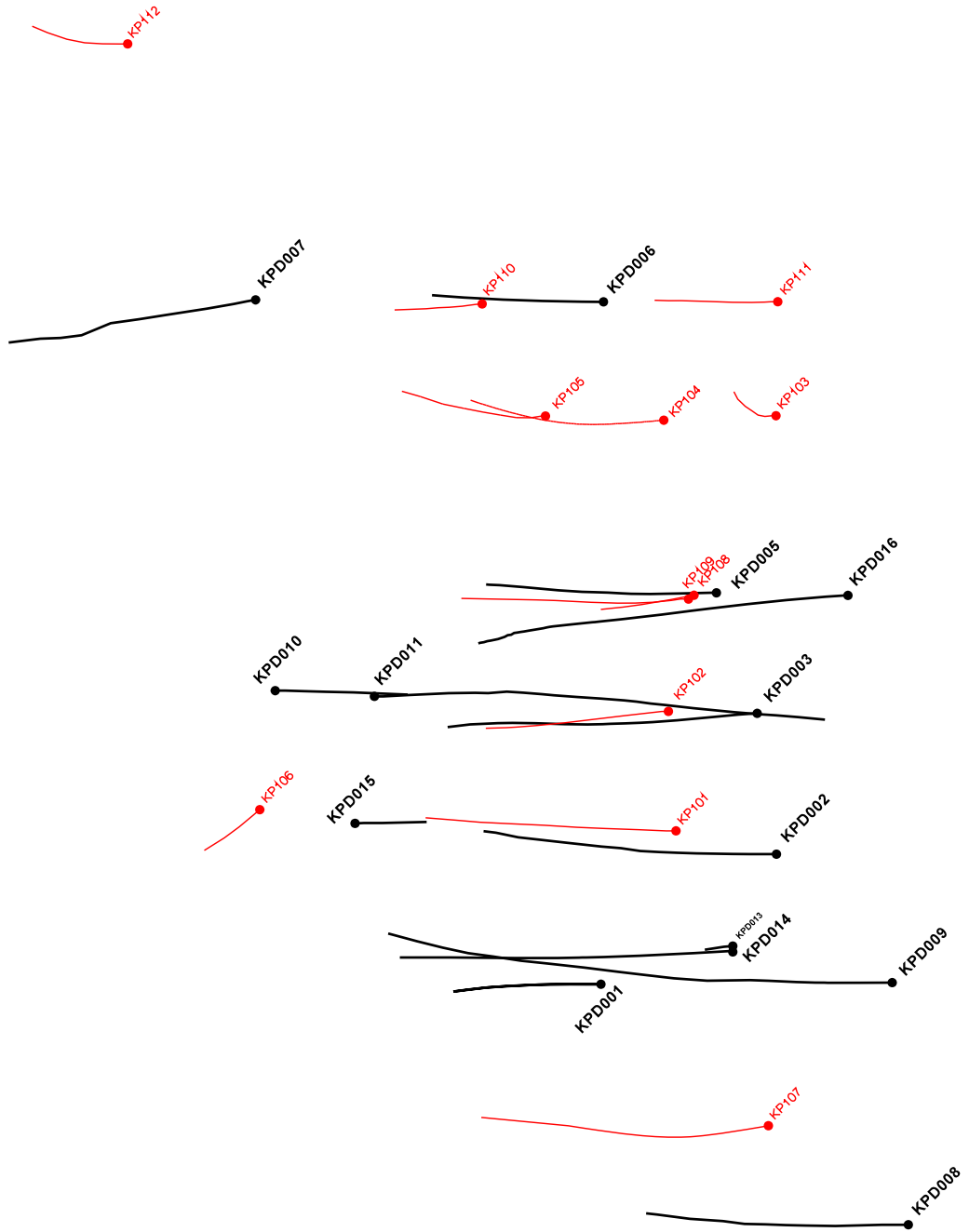
Near **Orange**, the Company has a joint venture (**ODEJV**) with Newmont, one of the world's largest gold miners, which resulted in the discovery in 2006 of a potentially significant gold deposit at **McPhillamys** within the **Moorilda Project**. This discovery includes intersections of 123 metres 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 **Galwagere** 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**.



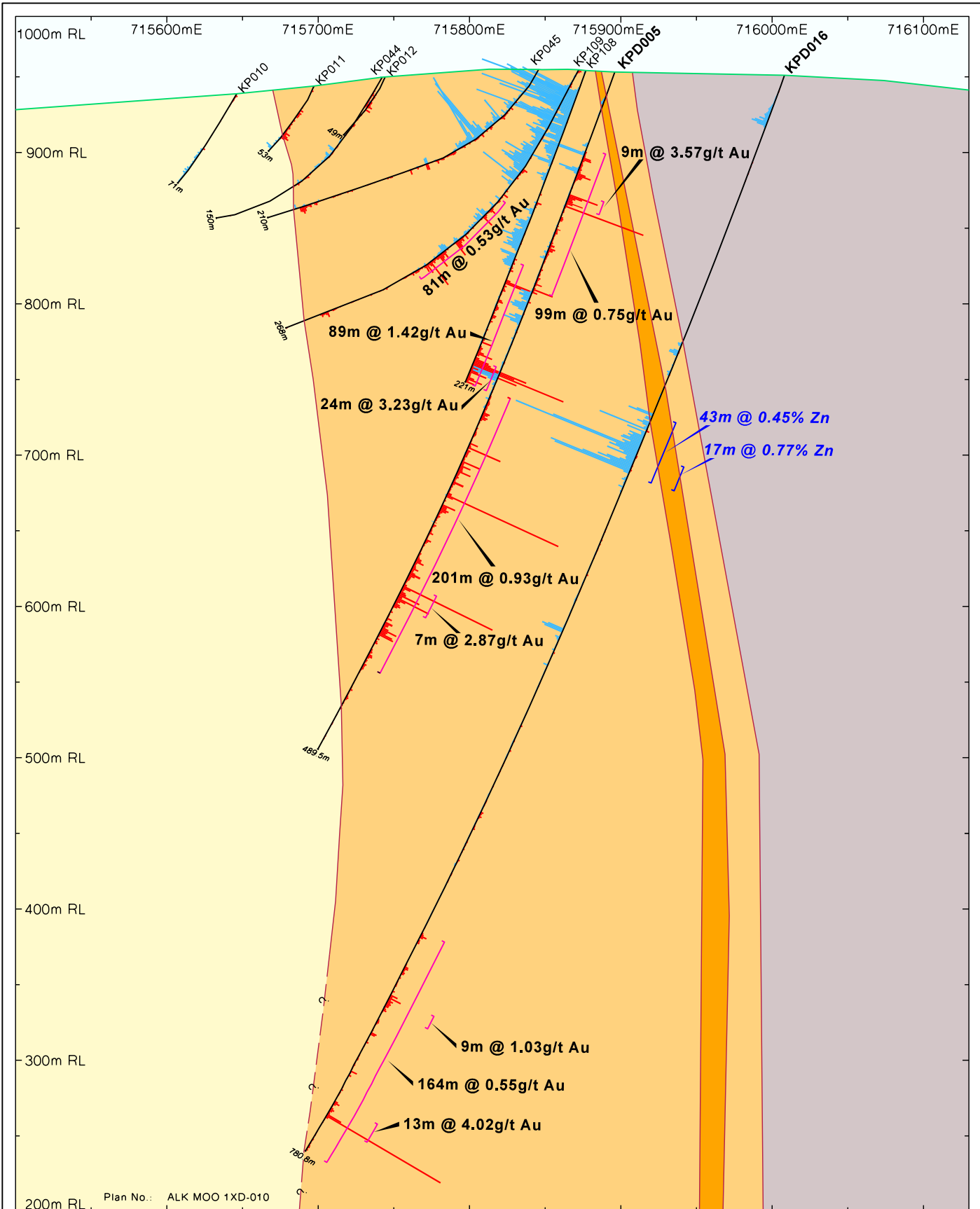
Mr D I Chalmers, FAusIMM, FAIG, (director of the Company) has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2004 Edition of the Australasian Code 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



ORATION
JOINT VENTURE

Drill Hole Location & Imaged IP at 100m depth

Figure No.: 5



Plan No.: ALK MOO 1XD-010

- 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
- Gold histogram, 1mm = 1g/t Au
- Zinc histogram, 1mm = 0.1% Zn

0 Scale 1 : 3500 100
metres



**ORANGE DISTRICT
EXPLORATION
JOINT VENTURE**



MOORILDA PROJECT
McPhillamys Prospect
Cross Section
6292350mN

Figure No. : 2