



ASX ANNOUNCEMENT – 25 September 2009

FURTHER SIGNIFICANT GOLD INTERCEPTS AT McPHILLAMYS

- **Results for an additional five core holes have been received. These further confirm the extensive gold mineralisation and that grades and widths improve with depth. Significant intersections include:**

**NEWD004 242 metres grading 0.83g/t gold from 92 metres
including 137 metres grading 1.29g/t gold from 104 metres
and 20 metres grading 5.52g/t gold from 169 metres**

**NEWD007 106 metres grading 0.84g/t gold from 185 metres
including 10 metres grading 3.26g/t gold from 236 metres**

- **Reconnaissance aircore drilling has returned encouraging results from several regional targets. Results include:**

**NEWAC074 3 metres grading 1.16g/t gold from 9 metres
and 10 metres grading 0.99g/t gold from 27 metres**

NEWAC110 9 metres grading 3.29g/t gold from 6 metres

NEWAC114 3 metres grading 1.13g/t gold from 9 metres

- **The drilling results continue to confirm that the McPhillamys prospect hosts a substantial gold system.**

Corporate Profile

Alkane Board

J. S. F. Dunlop (Chairman)

D. I. Chalmers (Managing Dir)

A. D. Lethlean

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12 month share price
range

A\$0.515 - \$0.15

Market Cap 24 Sept 09

~A\$ 108 million

ASX Code: ALK

245 million shares (Sept 09)

September 2009 Cash

~\$5.0 million

No debt

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The **McPhillamys** prospect is located within the **Moorilda Project** 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. Newmont earned an initial 51% interest in the ODEJV in August and a modification to the original agreement has enabled Newmont until 28 February 2010 to elect to earn an additional 24% interest by carrying all expenditures to the completion of a Bankable Feasibility Study (BFS) or co-expend with Alkane in their respective interests of 51% - 49%.

At McPhillamys several AC, RC and core drilling programs have identified a large gold mineralised system which comprises a plus 0.5g/t gold mineralised envelope extending over a north south strike of at least 600 metres with widths up to 200 metres (figure 2).

A A\$2.2 million exploration expenditure commenced in May and was designed to further evaluate the main McPhillamys gold mineralisation and test near by regional targets (figure 1) with drilling, induced polarisation and gravity surveys.

Seven core holes have been completed at McPhillamys while an eighth tested the mineralised zone at Kings Plains, 2km to the south east (total 2,713m). The McPhillamys holes were spaced over a 350 metre strike length within the mineralised zone and were sighted to test the grade and width continuity between the shallow RC and AC holes and the deeper core holes. Results for NEWD001, 002 and 003 have previously been reported but are summarised again with the current holes in Table 1. Holes NEWD004 and 007 intersected substantial widths of mineralisation while two shallow core holes, NEWD005 and 006, intersected minor mineralisation to the south of the defined mineralised zone (figure 2).

The results have continued to confirm the extensive gold mineralisation and that there is vertical zonation within the system with grades and widths improving with depth. These results will form part of a geological block model that will assist to determine the resource potential of the McPhillamys mineralisation.

Regionally, 170 reconnaissance AC holes (4,929m) tested 8 target areas, McPhillamys Far North; McPhillamys North; McPhillamys East; McPhillamys South; Sherlock; Kings Plains; Flanagans Gully; and Clearview (figure 1). While minor gold mineralisation was intersected at several of these locations, very encouraging results were returned from Sherlock and Flanagans Gully (Table 2). All the holes were drilled to refusal (unable to penetrate further) and many of the results are similar to the original AC on McPhillamys Hill where the broad mineralised zone was defined by 0.25g/t gold envelope.

Sherlock is located on the north-west flank of McPhillamys Hill within the favourable geology intersected by KPD007, while Flanagans Gully is a continuation of the mineralised stratigraphy intersected by KPD004 at Kings Plains. Flanagans is also reported to have hosted the significant alluvial gold recovered in the 1850's.

Four RC holes (246m) tested targets at McPhillamys South, McPhillamys Far North and Kings Plains.

The gravity and induced polarisation surveys have also been completed and the data are being assessed.

The information in this report that relates to exploration results, mineral resources and ore reserves is based on information compiled by Mr D I Chalmers, FAusIMM, FAIG, (director of the Company who 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 a 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 this report of the matters based on his information in the form and context in which it appears.



Table 1: Summary 2009 drill core results for McPhillamys Prospect @ 25 September 2009.

Hole No	East	North	RL (m)	Azimuth	Inclin	Intcpt (m)	Grade (g/t Au)	Interval (m)	EOH (m)	Comments
NEWD001	715865	6292100	968	270°	61°	135	1.00	41 – 176	410.7	Previously reported
and						119	0.91	225 – 344		
NEWD002	715877	6292150	967	270°	56°	299	1.09	68 – 367	449.7	Previously reported
incl						207	1.38	160 - 367		
and						30	3.21	337 - 367		
NEWD003	715900	6292250	962	270°	62°	184	1.27	177 – 361	475.2	Previously reported
incl						91	1.76	203 – 294		
NEWD004	715885	6292350	954	270°	62°	242	0.83	92 – 334	414.4	
incl						137	1.29	104 - 241		
and						20	5.52	169 - 189		
NEWD007	715885	6292425	945	270°	62°	106	0.84	185 – 291	407.3	
incl						10	3.26	236 – 246		
NEWD008	716850	6290350	965	270°	60°	21	0.49	105 – 126	179	
incl						7	0.71	105 – 112		

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

Table 2: Summary 2009 drill AC and RC results >0.5g/t Au for McPhillamys Regional @ 25 Sept 2009.

Hole No	East	North	RL (m)	Azimuth	Inclin	Intcpt (m)	Grade (g/t Au)	Interval (m)	EOH (m)	Prospect
NEWAC056	717050	6290025		270°	60°	3	0.54	3 – 6	87	Kings Plains
NEWAC074	717160	6298460		270°	60°	3	1.16	9 – 12	37	Flanagans
and						10	0.99	27 -37		to EOH
NEWAC080	716550	6291550		270°	60°	3	0.60	3 – 6	19	Flanagans
NEWAC096	716600	6291100		270°	60°	3	0.50	15 - 18	35	McPhills East
NEWAC109	715400	6292650		270°	60°	3	0.96	0 - 3	34	Sherlock
and						13	0.51	21 - 34	34	Sherlock
NEWAC110	715450	6292650		270°	60°	9	3.29	6 – 15	40	Sherlock
and						3	0.60	27 – 30		
NEWAC112	715550	6292650		270°	60°	3	0.65	6 – 9	36	Sherlock
NEWAC135	715580	6292950		270°	60°	3	0.66	0 – 3	30	McPhills Nth
NEWAC144	715375	6292150		270°	60°	3	1.13	9 – 12	102	Sherlock
NEWRC003	716540	6290510		270°	60°	9	0.56	9 – 18	61	Kings Plains

Gold analysis by 50g fire assay of 3 metre composite samples



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 **840,000 ounce gold resource** within the **Wyoming and Caloma deposits**, (full details 2008 Annual Report). A feasibility study for the development of the project with potential 50,000 to 60,000 ounce per annum production is anticipated to be completed before the end of 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 mid 2010.

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. Follow up 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 2005 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. New exploration targets have been identified at several other locations.

In **Western Australia** the Company holds 5 million shares (6%) of listed iron ore explorer **BC Iron Limited** and a diluting 23% residual interest in a nickel sulphide joint venture with **Xstrata Nickel (Jubilee)** near **Leinster**.





