



ASX ANNOUNCEMENT – 30 September 2008

NEW DRILL RESULTS EXPAND KNOWN GOLD SYSTEM AT McPHILLAMYS

- **RC and diamond core drilling have continued and results have been received for two core holes and seven RC holes.**
- **The results have continued to confirm that McPhillamys hosts a large low grade gold system.**

KPD 005 201 metres grading 0.93g/t gold from 229 metres
incl 3 metres grading 8.25g/t gold from 299 metres
and 5 metres grading 1.57g/t gold from 307.5 metres
also 14.7 metres grading 2.87g/t gold from 367.3 metres
also 6 metres grading 1.23g/t gold from 398 metres

KP 102 19 metres grading 0.81g/t gold from 119 metres
incl 5 metres grading 1.78g/t gold from 127 metres
also 74 metres grading 0.92g/t gold from 159 metres
incl 6 metres grading 2.23g/t gold from 190 metres
and 10 metres grading 1.92g/t gold from 218 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.**

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)
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12 month share price range

A\$0.515 - \$0.28

Market Cap 29 Sept 08

~A\$77 million

ASX Code: ALK

242.4 million shares (June 08)

June 30 2008 Cash

~ \$9.7 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 confirmed extensive gold mineralisation. Details are summarised in the **Background** information at the end of this report.

Since drilling recommenced in June, six core holes (KPD003 – KPD008) totalling 1,922.6 metres (including the extension to KPD003) and ten RC holes (KP101 – KP 110) for 2,448 metres have been completed. The drilling has largely concentrated in the central or core zone at McPhillamys, but holes have also been programmed to test adjacent pole-dipole induced polarisation (PDIP) chargeability anomalies (figures 1 and 2) to the north, south and west of McPhillamys.

Results for KPD003, KP004 and part of KPD005 were reported on 18 August. Results have now been received for the remainder of KPD005 and KPD006, and seven RC holes KP101-107. These results are summarised in Table 1.

The results available have confirmed 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.

At this stage it is not clear what controls the higher grade gold mineralisation within the generally larger sulphide bearing envelope in the dacitic volcanics. As a result, diamond core hole KPD010 has been collared on the western side of McPhillamys to drill easterly back through the broad zone of mineralisation intersected by KPD003 (366 metres grading 1.85g/t gold). This hole should assist with the geological interpretation and provide three dimensional data for the host volcanics, and orientation of the gold mineralisation.

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, or there may be vertical zonation with grades, widths and continuity improving with depth. Additional drilling will be required to evaluate these concepts

A further 22 line kilometres of PDIP has been completed to cover the extensions of the northern chargeability anomaly, and extend the coverage to the east to more fully test the McPhillamys East target zone. The data has extended the northern chargeability anomaly to over 2 kilometres in length (figure 1).

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.



Table 1: Summary drill core and RC results for McPhillamys Prospect @ 23 September 2008.

Hole No	East	North	RL (m)	Azimuth	Inclin	Intcpt (m)	Grade (g/t Au)	Interval (m)	EOH (m)	Comments
KPD 005	715900	6292350	955	270°	60°	99	0.75	56 – 155	489.5	Previously reported
incl						4	1.71	71 – 75		
and						9	3.57	86 – 95		
KPD 005						201	0.93	229 – 430		New results
incl						3	8.25	299 - 302		
and						5	1.57	307.5 – 312.5		
also						14.7	2.87	367.3 - 382		
also						6	2.13	398 - 404		
KPD 006	715800	6292600	950	270°	60°	4.9	0.81	68 – 72.9	264.2	
also						8	0.53	122 - 130		
also						15	0.49	137 - 152		
KP 101	715850	6292150	965	270°	60°	8	0.57	35 – 43	270	
also						14	0.68	68 - 82		
also						16	1.26	111 - 127		
incl						3	4.84	120 – 123		
also						37	0.88	137 - 174		
incl						3	3.41	141 - 144		
also						4	2.04	202 - 206		
KP 102	715850	6292250	965	270°	60°	19	0.81	119 – 138	246	
incl						5	1.78	127 - 132		
also						74	0.92	159 - 233		
incl						6	2.23	190 - 196		
and						10	1.92	218 - 228		
KP 104	715850	6292500	965	270°	60°	4	1.57	176 - 180	360	
also						12	0.45	186 - 198		
KP 105	715750	6292500	965	270°	60°	84	0.35	0 - 84	240	
incl						18	0.87	33 - 54		
KP 107	715950	6291900	940	270°	60°	154	0.39	186 - 340	340	
incl						118	0.45	222 - 340		
and						21	1.00	255 - 276		
also						4	1.67	336 - 340		to EOH
Hole No	East	North	RL (m)	Azimuth	Inclin	Interpt (m)	Grade (%Zn)	Interval (m)	EOH (m)	Comments
KP 107	715950	6291900	940	270°	60°	24	1.14	192 - 216	340	
incl						12	1.71	195 - 207		

Gold analysis by 50g fire assay and base metals by ICP at generally 1 metre half core intervals. True widths are about 85% of intersection

KP003 was abandoned due to extreme deviation; **KP006** was stopped short of target due to poor ground conditions.



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.

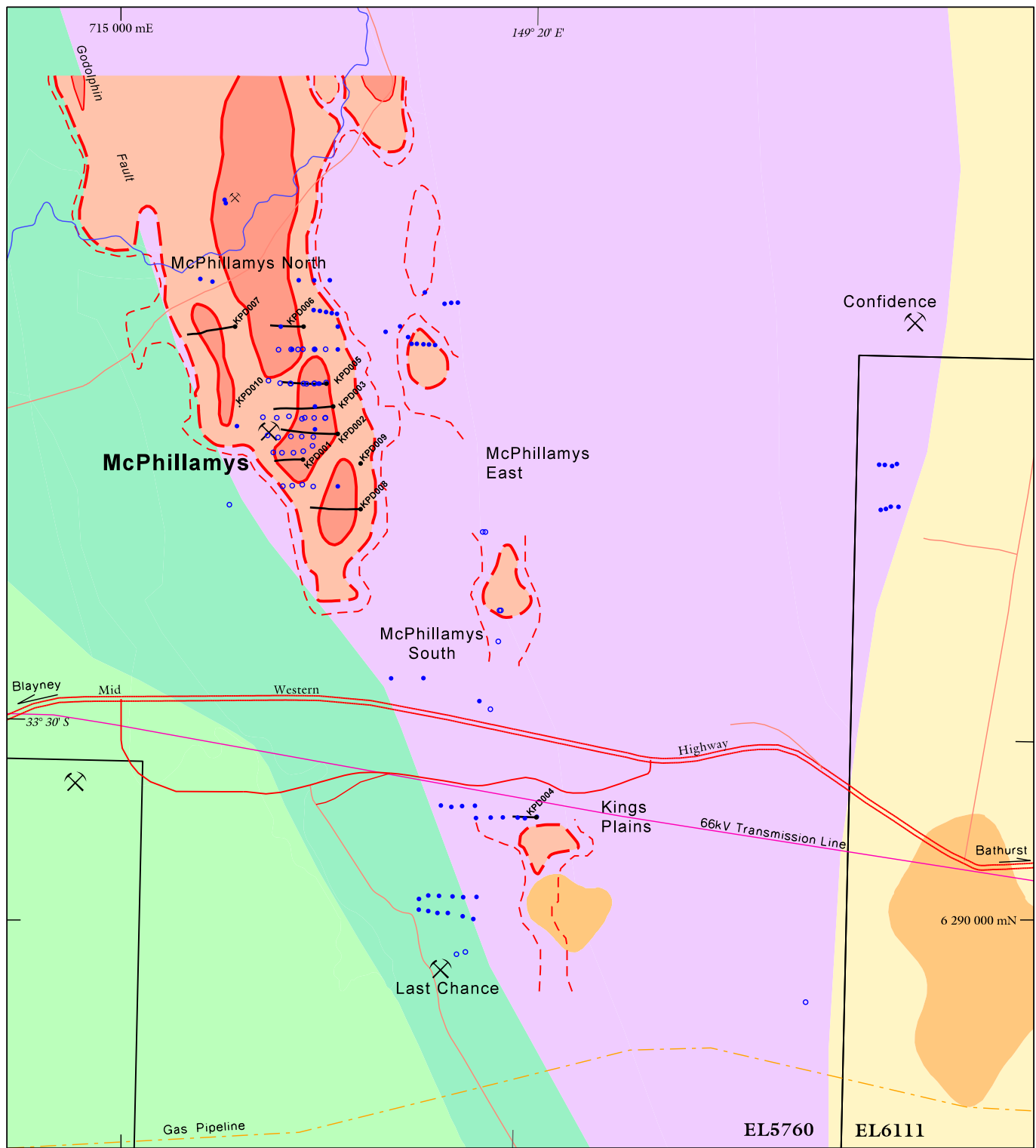
The **Dubbo Zirconia Project** is based upon a world class resource of the metals zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements. The deposit also contains significant uranium. Over several years Alkane has developed a flow sheet which can recover a variety of products which have 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 300 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**.





Legend

- | | |
|------------|---|
| Tertiary | Basalt |
| Devonian | Sediments & volcanics |
| Silurian | Felsic volcanics & sediments |
| Ordovician | Blayney Volcanics - mafic volcanics & sediments |
| | Byng Volcanics - mafic volcanics & sediments |
| | IP anomaly - 2008 |
| | Historic workings |
| | Alkane diamond drill hole |
| | Alkane drill hole |
| | Alkane Drill hole pre 2007 |

Scale 1 : 25 000
0 1000
metres



**ORANGE DISTRICT
EXPLORATION
JOINT VENTURE**
MOORILDA PROJECT
NEW SOUTH WALES
McPhillamys Prospect



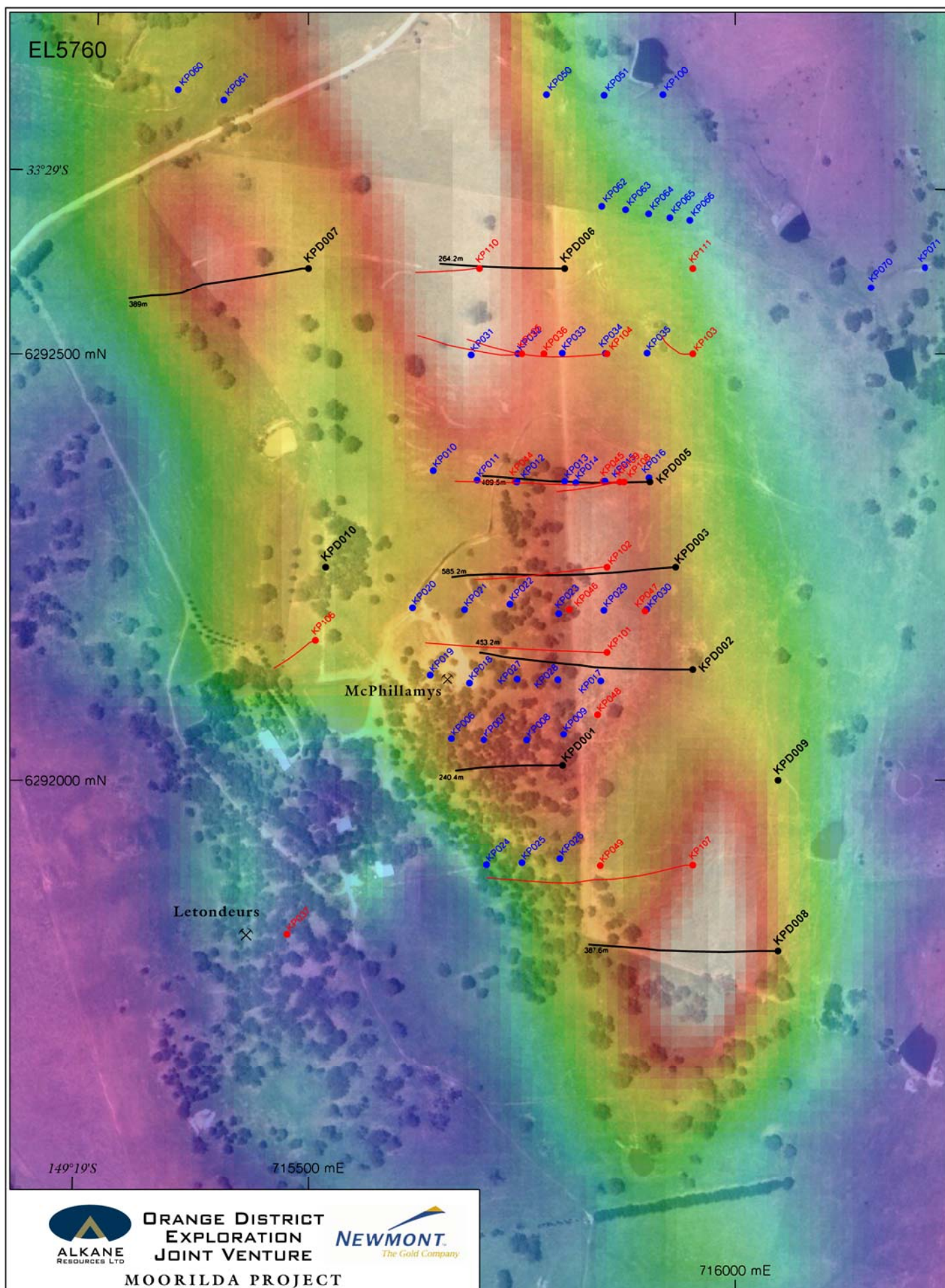
Geology and Drill Hole Location

Figure No. : 1

Projection - AMG Zone 55
Datum (horizontal) - ag966

PLAN No.: ALK MOO 1GA-009

Geology after GSNSW



**ORANGE DISTRICT
EXPLORATION
JOINT VENTURE**



**MOORILDA PROJECT
McPhillamys Prospect**

Drill Hole Location & Imaged IP at 100m depth

Figure No.: 2

Legend

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

0 Scale 1 : 6 000 250
metres