ALKANE
RESOURCES LTD
ABN 35000689216

ASX ANNOUNCEMENT – 5 December 2008

FURTHER EXTENSIVE GOLD MINERALISATION AT McPHILLAMYS

- **RC and diamond core drilling have continued testing the main McPhillamys zone and nearby targets. Results have been received for four core holes and six RC holes.**

- **The results have again extended the McPhillamys gold system.**

KPD 011	**236 metres grading 1.23g/t gold from 219 metres**
incl	**23 metres grading 3.00g/t gold from 284 metres**
and	**18 metres grading 4.27g/t gold from 407 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.**

- **Diamond core drilling is continuing in the main McPhillamys zone with the aim of achieving a general understanding of the distribution of the gold mineralisation along strike, down dip and down plunge, and any lithological or structural controls to that mineralisation.**

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 - $0.13

Market Cap 4 December 08

~A$35 million

ASX Code: ALK

244.8 million shares (June 08)

September 30 2008 Cash

$8.5 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 175km^2 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, twelve core holes (KPD003 – KPD014) totalling 4,699.2 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 have also been targeted to test adjacent pole-dipole induced polarisation (PDIP) chargeability anomalies to the north, south and west of McPhillamys, and at Kings Plains located about 2 kilometres southeast of McPhillamys (figures 1 and 2).

Results for core holes KPD003 - KPD007 and RC holes KP101 – KP109 have previously been reported. Results have now been received for KPD008 - KPD011, and RC holes KP110 -115. These results are summarised in Table 1.

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 volcaniclastic 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.

KPD008 tested the southern PDIP chargeability anomaly and while extensive disseminated sulphide mineralisation was intersected, gold mineralisation was confined to the lower intervals in the hole which may correspond to the southern extension of the McPhillamys mineralisation. Similarly KPD009 drilled the same target sequence with extensive low grade gold mineralisation intersected within the down dip zone of McPhillamys stratigraphy. KPD010 was abandoned due to hole failure but KPD011 completed the easterly drill testing of the broad zone of mineralisation intersected by KPD003 (figure 3). This hole confirmed the broad, steeply dipping zone of gold mineralisation and should assist with the geological interpretation and provide three dimensional data for the host volcanics, and orientation of the gold mineralisation.

The RC drilling tested targets at McPhillamys North and Kings Plains. Broad low grade gold mineralisation was intersected in KP111, which drilled a probable northern extension to McPhillamys, while KP115 also intersected broad low grade gold at Kings Plains, south of the encouraging KPD004 intersection (78 metres @ 1.04g/t gold).

Diamond core drilling is continuing in the main McPhillamys zone with the aim of achieving a general understanding of the distribution of the gold mineralisation along strike, down dip and down plunge, and any lithological or structural controls on mineralisation. This data will guide the 2009 program.

Geological mapping has confirmed that the prospective volcanic sequence extends several kilometres to the south and hosts several prospects including Kings Plains. Historical activity in these areas has demonstrated gold and base metal mineralisation. The mapping will also be extended in 2009 to cover the potential target zone to the north and east to include the Confidence mine area.

Table 1: Summary drill core and RC results for McPhillamys Prospect @ 5 December 2008.

Hole No	East	North	RL (m)	Azimuth	Inclin	Intcpt (m)	Grade (g/t Au)	Interval (m)	EOH (m)	Comments
KPD 008	716059	6291812	931	270°	60°	5	0.58	347 – 352	387.6	0.37% Zn
and						16	0.60	366 – 382		
incl						3	1.22	373 – 376		
and						2	1.45	380 - 382		
KPD 009	716045	6292018	944	270°	60°	107	0.36	413 – 520	678.4	
incl						12	0.66	413 - 425		
incl						4	1.14	419 – 423		
also						3	0.84	430 - 433		
also						4	0.57	445 - 449		
also						10	0.57	464 - 474		
also						17	0.58	488 - 505		
also						13	0.37	507 - 520		
KPD 010	715519	6292267	929	090°	55°				202.2	Abandoned
KPD 011	715604	6292262	940	090°	60°	236	1.23	219 - 455	645.3	
incl						23	3.00	284 – 307		
also						18	4.27	407 - 425		#
KP 111	715948	6292599	935	270°	65°	18	0.45	112 – 130	214	0.37% Zn
also						27	0.41	155 - 182		0.40% Zn
KP 114	716694	6290450	957	270°	60°	3	3.58	93 – 96	150	Kings Plains
KP 115	716789	6290348	970	270°	60°	66	0.32	3 – 69	174	Kings Plains
incl						15	0.47	3 - 18		

Gold analysis by 50g fire assay and base metals by ICP at generally 1 metre half core intervals or for RC, 30g fire assay of 1 metre riffle split samples. True widths are about 75% of intersection.

Only **preliminary gold results**, with no base metal values, have been received for samples from 401 metres to 645.3 metres.

Both **KP110** and **KP112** stopped short of target depths 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.

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:

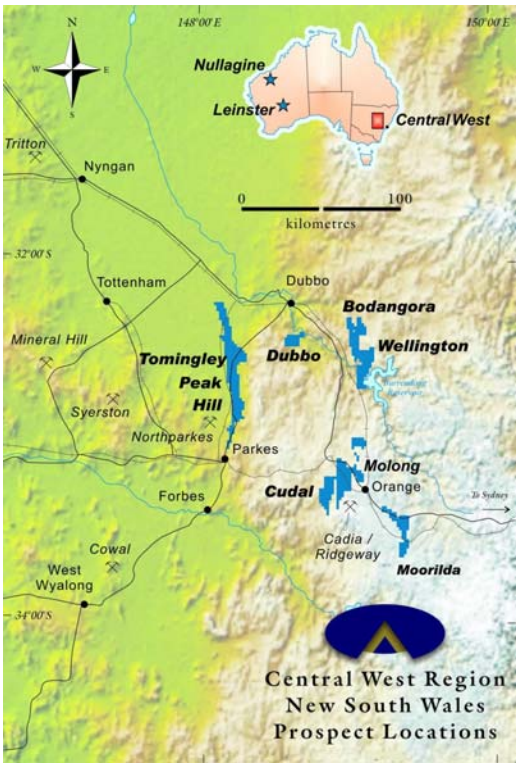
The **Tomingley Gold Project** currently has a **606,000 ounce gold resource** within the **Wyoming deposits**, of which 75% is in the Measured and Indicated categories (full details 2007 Annual Report). The recent discovery at **Caloma** could add significantly to the resource base and a substantial 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.

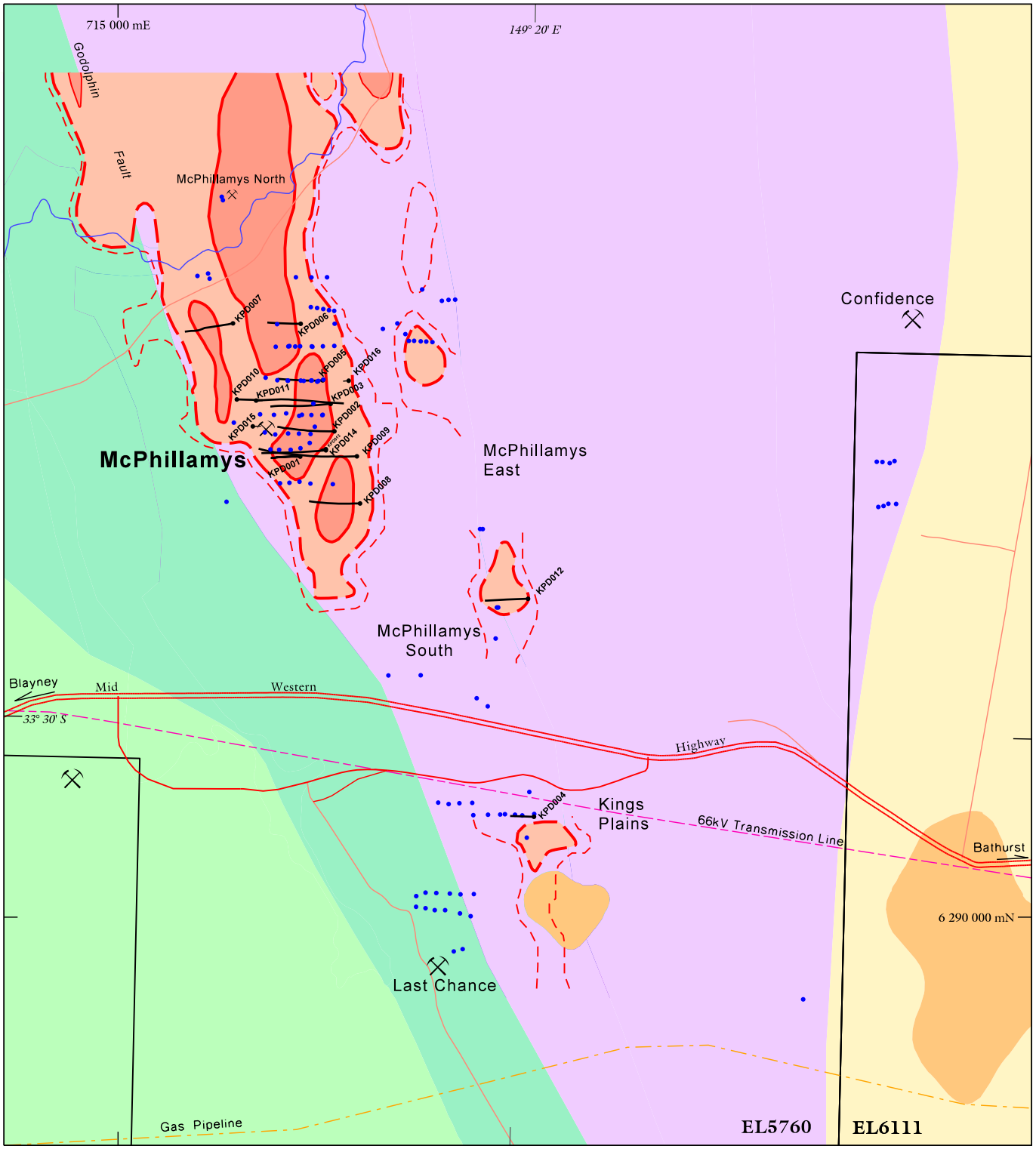
The **Dubbo Zirconia Project** is based upon a world class resource of the metals zirconium, hafnium, niobium, tantalum, yttrium and rare earth elements. The deposit also contains significant uranium. Over several years Alkane has developed a flow sheet which can recover a variety of products which have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





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
		Diamond drill hole
		RC and aircore drill hole

Scale 1 : 25 000

0 1000 metres

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ORANGE DISTRICT EXPLORATION JOINT VENTURE

NEWMONT The Gold Company

MOORILDA PROJECT

NEW SOUTH WALES

McPhillamys Prospect

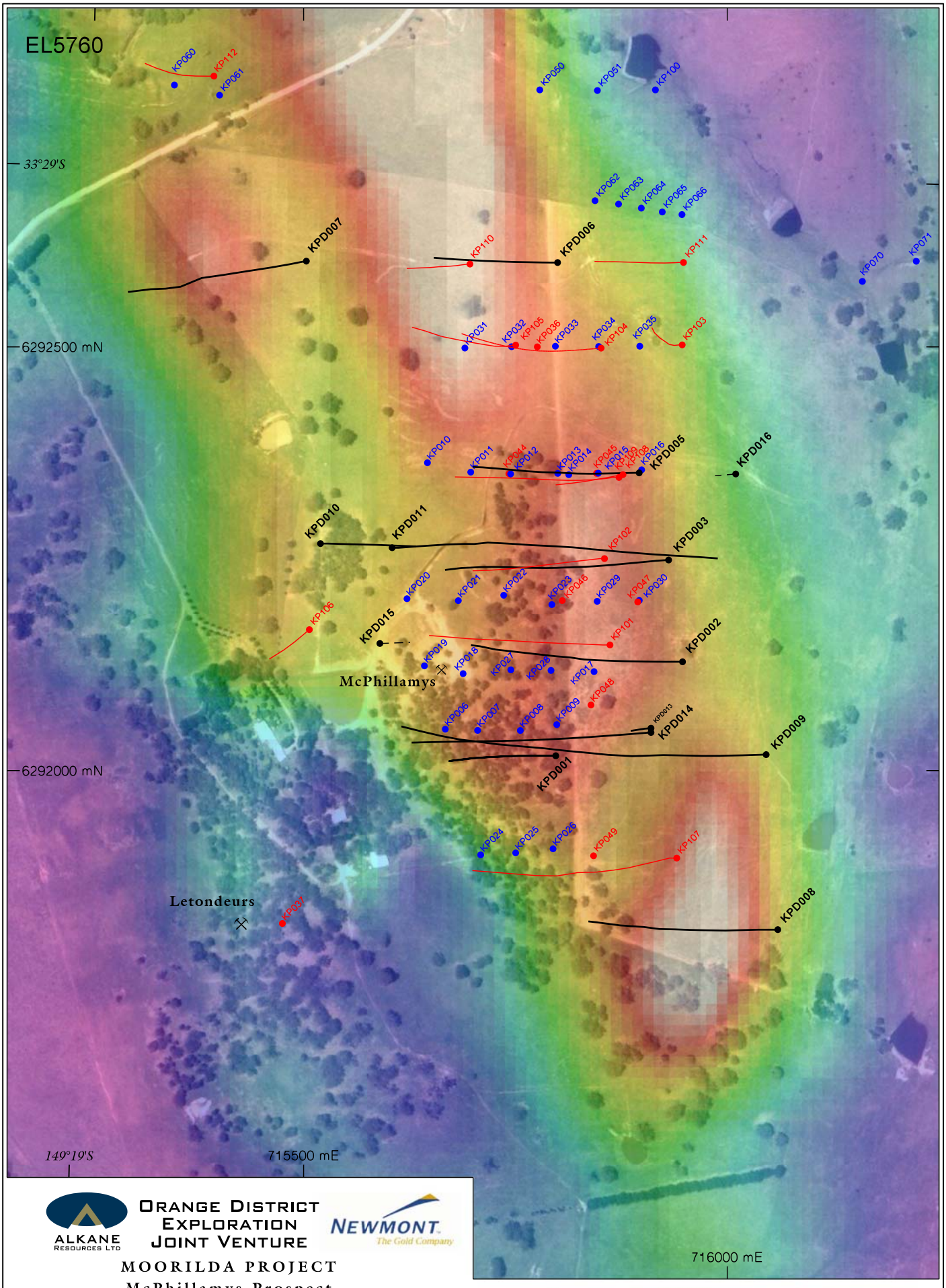
Geology and Drill Hole Location

Figure No. : 1

Projection - AMG Zone 55
Datum (horizontal) - agd66

PLAN No.: ALK MOO 1GA-009

Geology after GSNSW



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MOORILDA PROJECT

McPhillamys Prospect

Drill Hole Location & Imaged IP at 100m depth

Figure No.: 2

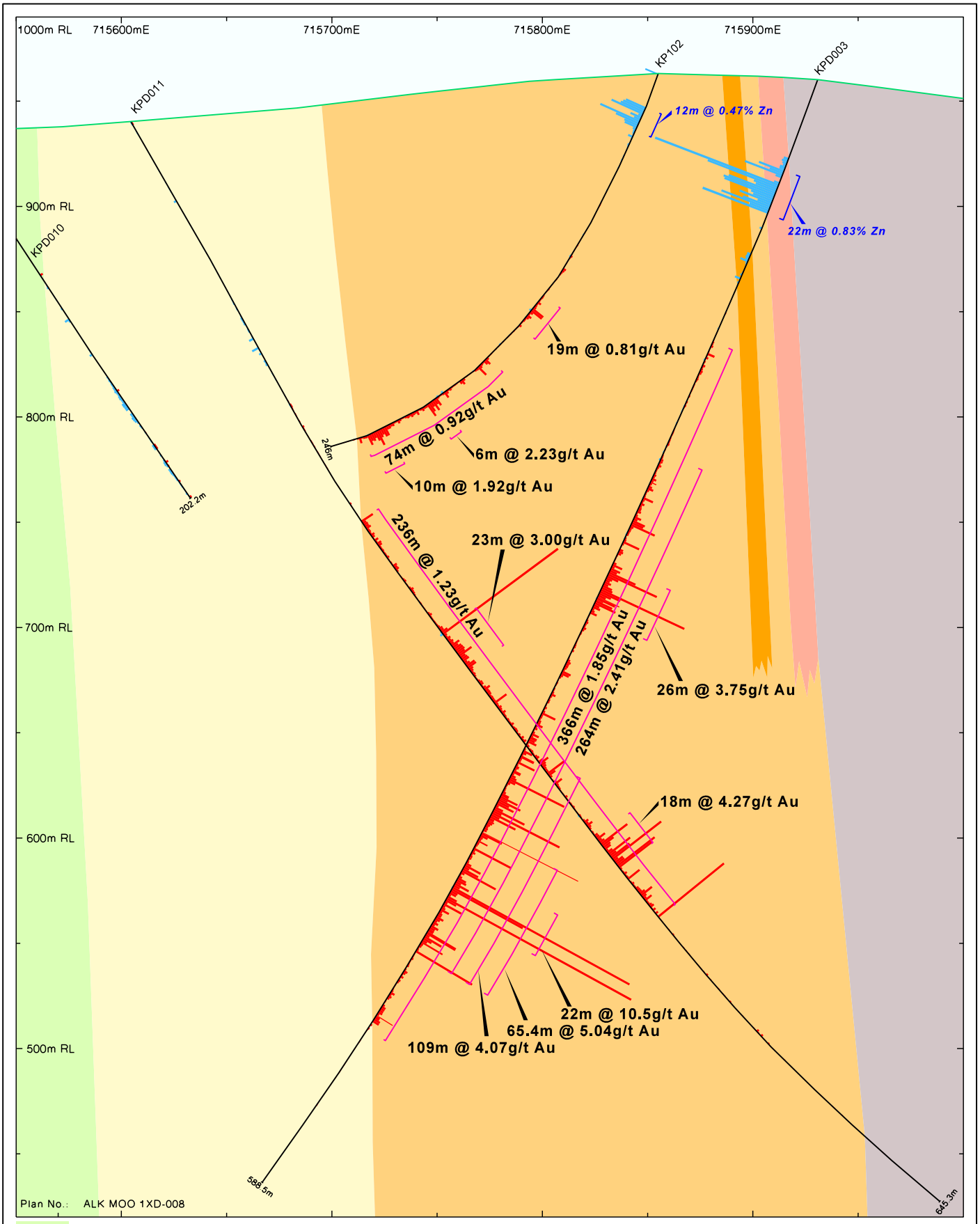
PLAN No. : ALK MOO 1HL-006

Legend

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

Scale 1 : 6 000

0 250 metres



Magnetite altered, intensely foliated, breccia

Sericitised, strongly foliated dacitic volcanics (phyllite)

Sericitised, strongly foliated dacitic breccia

Unaltered, strongly foliated dacitic volcaniclastics

Weakly foliated, coarse grained dacitic porphyry

Intensely foliated, dacitic volcaniclastics with common stratiform sulphides

Gold histogram, 1mm = 1g/t Au

Zinc histogram, 1mm = 0.1% Zn

Scale 1 : 2500

0 100

metres

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McPhillamys Prospect

Cross Section

6292250mN

Figure No. : 3