

ASX Announcement

Quarterly Report for the period ending 31st December 2008

1 Exploration Activity

1.1 Oak River Project EPM 17945

Oak River EPM 17945 was applied for during December 2008. The application was accepted by the Queensland Department of Mines and Energy and is not competing with any other applications. The tenement application lies approximately 15 kilometres southwest of Einasleigh within the highly prospective Georgetown Inlier of northern Queensland. Application for this tenement is in line with MKY's strategy to acquire quality exploration opportunities during this current market downturn.

MKY Resources considers the geological setting within this tenement to be analogous to that of numerous known high grade uranium deposits in the Georgetown region including Maureen, Lineament and Trident; all owned or controlled by Mega Uranium (See Figure 1).

Mega Uranium's "Maureen" deposit is located 85km to the northeast and Mega announced (in July, 2008) a NI43-101 compliant resource for the Maureen deposit comprising an Indicated Resource¹ of 5.95Mlbs U₃O₈ at an average grade of 0.09% U₃O₈ and an Inferred Resource¹ of 0.38Mlbs U₃O₈ at a grade of 0.11% U₃O₈. Mega's website also quotes potential resources at their Trident Project (including Four Gee, Two Gee and Quartz Blow Deposits) and the Lineament Fault Zone (see <http://www.megauranium.com/main/?georgetown>).

The Oak River lease partially extends over the mineralised Silurian aged Oak River Granodiorite which is abutted by the middle-late carboniferous aged Bousey Rhyolite and minor slither outcrops of the Devonian aged Gilberton Formation Sedimentary package and the Proterozoic aged Einasleigh Metamorphics.

A major north-east trending structure crosscuts sedimentary strata, positioning them against younger granites; this structure is coincident with several known uranium occurrences within EPM 17945. Similar structural trends are observed elsewhere in the Georgetown Inlier and appear to be a major control of uranium mineralisation in the Trident and Maureen deposits (See Figure 1).

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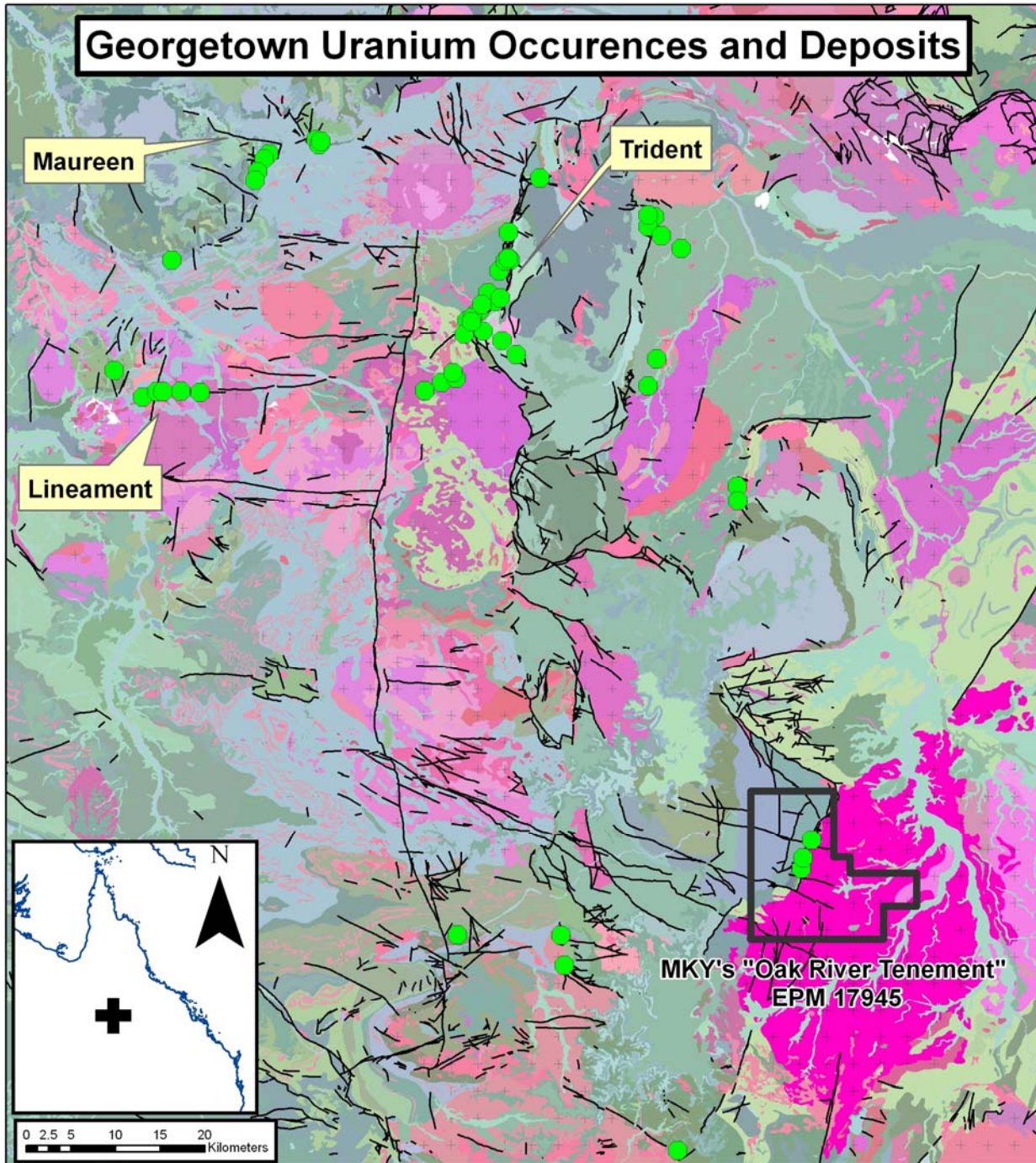


Figure 1: Location Map showing Uranium Deposits and Occurrences of the Georgetown Area

This structural corridor will be the focus of MKY's exploration efforts to delineate high grade uranium mineralisation within the Oak River Project. The plan is to review previous exploration over the wet season, then once the weather conditions allow, commence ground review of airborne radiometric anomalies and known uranium occurrences. We would expect to be able to generate drill targets in the first half of 2009 and drill test the targets in the second half of 2009.

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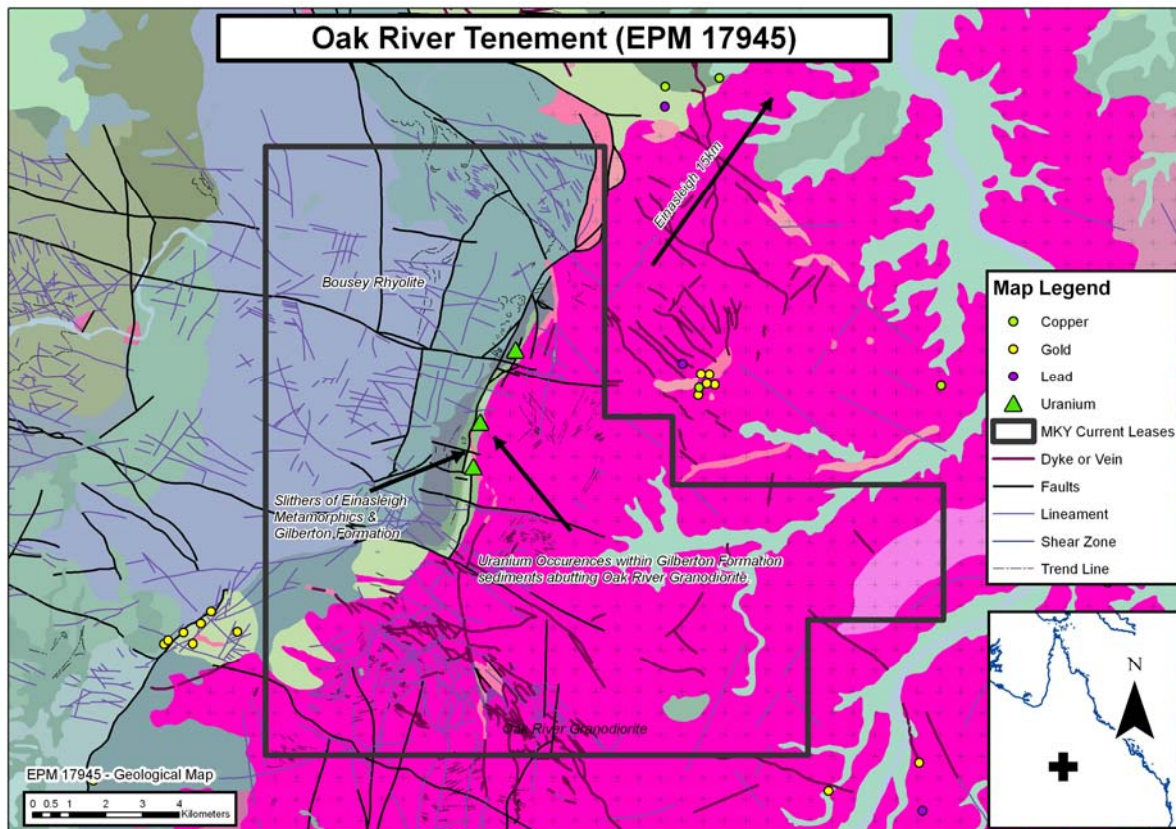


Figure 2: Detailed Geology of the Oak River Tenement Area Showing Known Mineral Occurrences.

1.2 Palmerville Project (EPC 1395)

Coal exploration permit (EPC 1395) is situated 40kms north west of Chillagoe and approximately 50kms west of the historic Mt Mulligan coal mine in Northern Queensland.

The EPC application contains an outcropping carbonaceous sequence to the immediate west of the Palmerville Fault. This coal/carbonaceous sediment occurs below an area of flow banded rhyolites thought to belong to the Nychum Volcanics or the Mitchell River Volcanics which are of Upper Permian age.

The base of the Nychum Volcanics are known to contain impure coal on the other side (East) of the Palmerville Fault, to the immediate west of the Mount Mulligan syncline. However visible comparisons of the rocks found in EPC 1395 with this impure coal suggests they are different.

MKY's exploration target was based on the potential for the coal measure to improve in quality across the major regional fault structure, the Palmerville Fault. If this was the case the sequence could have potential for gasification or coal bed methane. Given the proximity of these potential coal deposits to the proposed PNG or Cape York gas pipeline any energy sources in the region could demand commercial re-evaluation.

Samples of the outcropping unit were acquired adjacent to the road within overlapping granted tenement EPM 16691. These samples were combined and sent for assay at ACIRL laboratories in Brisbane. The results indicate that the sequence is more likely to be a carbonaceous shale sequence rather than a coal measure. It is therefore proposed to withdraw the application for this area.

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1.3 Wally 2 Results

The assay results from the July-August RC drilling programme at the Wally 2 Project were received during the first part of the quarter. The drillholes were designed to test the depth extent and width of loweringite vein mineralisation discovered at surface in their Wally 2 project in North Queensland. The initial results of this program were encouraging with visual confirmation that loweringite bearing veins had been intersected in several drill-holes at depth below the surface outcrops.

However, the assay results from drilling at Wally 2 project were extremely disappointing with the maximum single metre interval assaying 48ppm U3O8. The low grades, despite the apparent intersection of loweringite veins, suggests that the veins are narrow and substantially diluted by the un-mineralised wall-rock material.

Based on these disappointing drill results MKY re-evaluated its tenement position in the Palmer River area of North Queensland and will do some minor work to assess the potential of these leases for alluvial monazite and other heavy minerals rich in thorium and rare earth elements.

1.4 Exploration Expenditure

During the December 2008 quarter, MKY expended \$229k on exploration and evaluation costs. A similar amount is expected in the following quarter.

2 Corporate Activity

2.1 Delminco Transaction

During the third quarter of 2008, the signed a share sale agreement with Australian Energy Company Ltd (AEC) for the acquisition of Delminco Pty Ltd which is subject to various conditions precedent. Delminco Pty Ltd holds numerous tenements / applications that are prospective for bauxite in Cape York, North Queensland as well as additional uranium projects in the Georgetown area of north Queensland.

Finalisation of the acquisition was subject to various conditions precedent including completion of due diligence, granting of applications and MKY shareholder approval. These conditions were to be met by 30th November 2008, however it was agreed by both parties that this date be extended to the 31st January 2009.

Continued due diligence was completed during the quarter including site visits to the Delminco bauxite leases in North Queensland.

2.2 Project Acquisition

Initial discussions were held with various companies regarding potential interest in their advanced exploration projects. As yet there is nothing to report from any of these discussions.

Additionally there were various Information Memorandums received by MKY from parties seeking partners for their projects. Several of these were reviewed in detail; none were of interest to MKY Resources at this stage.

For further information contact:

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The information in this report that relates to Exploration Results, Mineral Resources, or Ore Reserves is based on information compiled by Stephen McCaughey. Mr McCaughey 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. This qualifies Mr McCaughey as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Stephen McCaughey consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Corporate Information

Directors

Allan Blood	Non-Executive Chairman
Stephen McCaughey	Managing Director
Ian Hobson	Non- Executive Director & Company Secretary

Issued Capital

As at the date of this report the issued capital of the Company is comprised of:

495,228,102	fully paid ordinary shares
45,000,000	options expiring 31 May 20012

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