

# Alkane turns itself into major player

INVESTORS looking at the Australian resources sector will often look immediately at Western Australia – the goldfields, nickel fields, iron-ore regions and oil and gas provinces.

But there are some other parts of Australia that are also extremely well endowed with mineral resources and offer enormous investment potential. Take New South Wales (NSW), which boasts the likes of Newcrest Mining's Cadia-Ridgeway mine and Rio Tinto's Northparkes operation. They are both world-class ore bodies, but are also operated by mining majors. So how do you get exposure at the more junior end to some of the exciting opportunities in NSW where share price leverage has the potential to deliver some handsome returns?

Try taking a look at Alkane Resources. Managing director Ian Chalmers and the team at Alkane are veterans of the NSW mineral fields, having already operated the small Peak Hill gold mine for almost a decade which generated some solid cashflow for the company.

Now, with a suite of new exciting projects in both exploration and development stage, Alkane is on the cusp of turning itself into a major player in the region.

"It is a very exciting time for Alkane," Mr Chalmers says. "There is going to be some major progress made in the next six to 12 months on several advanced projects which we are developing in parallel with each other."

Those projects include two new gold discoveries and a world-class zirconium-niobium resource. Adding to the company's multi-commodity focus are interests in nickel, copper and iron-ore.

Proof of Alkane's success lies in its Peak Hill gold mine. It ran the operation from 1996 to 2005, turning a

A\$5 million capital investment into an operating surplus of A\$15 million after producing some 153,000 oz of gold. The heap leach operation is now in rehabilitation, but there remains a 450,000 oz sulphide resource that Alkane continues to review.

Bigger priorities now for Alkane are two exciting gold discoveries, at its separate Tomingley gold project, and the McPhillamys find.

At Tomingley, part of the Peak Hill gold field located to the west of the city of Dubbo, Alkane has already identified a resource of more than 600,000 oz at the Wyoming deposit and has been working to advance feasibility studies on developing the orebody.

That job has been made more exciting recently with the Caloma discovery some 500 m to the east of Wyoming. Recent intercepts of 33 m grading 5 g/t gold and 24 m grading 4.8 g/t gold point to the potential of Caloma.

That discovery appears to be going a long way towards Alkane reaching its resource target to justify a 1 Mt/y new operation.

The development models include a four- to five-year open pit life and possible four-year underground mine life, producing 60-70,000 oz/y through conventional carbon-in-leach processing and generating cash flows of around A\$15 million/y.

"We are excited about Caloma as it could make a huge difference to the project scale and economics," Mr Chalmers says.

"We believe we could achieve capital payback for the entire project during the four-year mine life of the open pit. The success at Caloma, which is under just 5 m of



cover, means that we shouldn't have to raise as much capital and the project economics should look better.

"In terms of extensions, we believe that Caloma has the potential for continuation of the high grade structures below 100 m. These could develop into underground resources. There are other potential extensions and we expect to put more drill holes into those in the next six months."

The current priority is completing the Caloma resource modelling which will then be incorporated into the existing pre-feasibility study, which should be completed by the end of July.

"If it is positive, as we expect, we'll reactivate the definitive feasibility study and have that completed by the end of the year," Mr Chalmers says.

"We are expecting to be in a position to give the go-ahead for the project early in the new year, and if we can start construction by the second quarter we should be in production by early 2009."

Also on the gold front, Alkane's long-term faith in the Orange area of NSW was rewarded last year with the



## THE TEAM

### JOHN DUNLOP

#### Non-executive chairman

Mr Dunlop is a consultant mining engineer with over 36 years' surface and underground mining experience both in Australia and internationally. He is a former director of the Australian Institute of Mining and Metallurgy (2001-2006) and is currently chairman of its affiliate, the Mineral Industry Consultants Association.

### IAN CHALMERS

#### Managing director

Mr Chalmers is a geologist and graduate of Curtin University (Western Australia), and has a masters from the University of Leicester in the UK. He has worked in the mining and exploration industry for over 37 years, during which time he has had experience in all facets of exploration through feasibility and development to the production phase.

### IAN (INKY) CORNELIUS

#### Non-executive director

Mr Cornelius has had over 40 years' experience in the minerals and petroleum industry. He spent the first nine years of his career with the Western Australian Department of Mines before leaving to manage his own tenement consulting business. Since 1976 he has held senior executive positions in a number of public exploration and mining companies. In this capacity he has had extensive experience and success in the selection, management and development of deposits of many commodities.

### IAN GANDEL

#### Non-executive director

Mr Gandel is a successful Melbourne businessman with extensive experience in retail management and retail property. Through his private investment

vehicles, Mr Gandel has been an investor in the mining industry since 1994. Gandel Metals Pty Ltd is currently a substantial holder in a number of publicly listed Australian companies and now holds and explores tenements in its own right in Victoria and Western Australia.

### TONY LETHLEAN

#### Non-executive director

Mr Lethlean is a geologist with 10 years' mining experience including four years underground on the Golden Mile in Kalgoorlie. In later years Mr Lethlean has been working as a resources analyst with various stockbrokers and currently consults to Cartesian Capital Pty Ltd.

spectacular gold-base metal discovery at McPhillamys, within the Moorilda project, which is a joint venture with the big US producer Newmont Mining.

Newmont is the manager of that joint venture, but Alkane remains as operator because of its experience and expertise in the region.

Intercepts including 123 m grading 1.96 g/t gold, 77 m grading 1.65 g/t gold, 10 m grading 4.08 g/t and 31 m grading 1.64% zinc point to the substantial potential of the discovery.

Newmont has proposed a regional approach for the current year with a view to identifying more McPhillamys-type targets to build up the overall resource potential.

Work on this front is continuing including some planned drilling for August-September in the regional area but also some more holes into the McPhillamys prospect itself.

A real 'point of difference' in Alkane's portfolio is its Dubbo zirconia project – a unique world-class resource with potential for significant annual production of zirconium-hafnium, niobium-tantalum and yttrium-rare earths. The icing on the cake is that the deposit also contains some 23 Mlb of uranium.

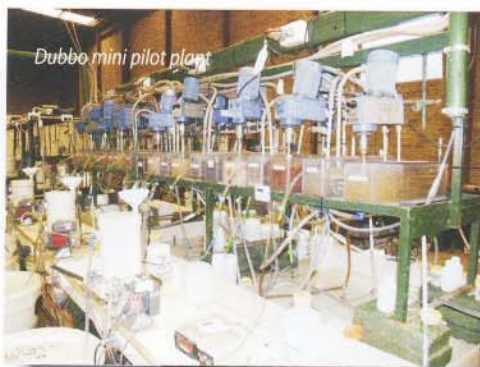
While not particularly 'sexy' from an investment point of view, the Dubbo zirconia project is actually Alkane's most valuable project based on an *in-situ* value of the commodities.

"It is a world-class resource, but it's just going to take us time to go through the feasibility and to make sure the products are saleable," Mr Chalmers says. "We still have a target of 2010 production."

Alkane is currently in the process of building a demonstration pilot plant within the facilities of ANSTO Minerals at Lucas Heights near Sydney, which is expected to be up and running in September, producing sample products to send to global customers.

"Over the past five years since our major study in 2002 our assessment is that the markets for virtually all the products we expect to produce at Dubbo have really improved," Mr Chalmers says.

"We have already started looking at doubling the throughput because of the strong demand for products and we think the base model will be closer



Dubbo mini pilot plant



Peak Hill

to 400,000-500,000 t/y.

"It is estimated that 500,000 t/y of ore should generate revenue in excess of A\$100 million and cash flow of A\$30-40 million on a capital expenditure of around A\$180 million.

"At that point it starts to become a pretty serious project with a lot of upside and there's also the possibility we can scale it up again from there. The ultimate size of the project will really be determined by how much product we can sell."

Rounding out Alkane's portfolio is a nickel sulphide joint venture with Jubilee Mines in the Leinster-Mount Keith region of Western Australia, a 2 Mt at 1% copper resource at Galwadgere, Wellington in NSW and a 17% stake in iron ore junior BC Iron.

"Building on our experience at Peak Hill, our view is that central-west NSW is an incredibly under-explored region with the potential for large multi-commodity deposits," Mr Chalmers says.

"We're now closer to production at Wyoming with the Caloma discovery, we've made the exciting McPhillamys discovery with Newmont, we proved up Galwadgere and of course we're advancing Dubbo to the point

where we can make a decision to go ahead with that.

"Alkane's strategy, therefore, has been very much focussed on multi-commodities, but within a well-confined region with a substantial existing infrastructure and favourable legislative framework. We have also considered other regions and countries, but after weighing them up, we just keep coming back to this attractive area of NSW.

"Overall, nothing has really stood out as being a better option than the organic and focussed growth strategy we've chosen. We will build on our current projects and turn Alkane into a substantial resource company over the next few years."

## VITAL STATISTICS

**Name:** Alkane Resources Ltd  
**Address:** PO Box 8178, Perth Business Centre, Western Australia 6849  
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**Website:** www.alkane.com.au

### CONTACT

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**Tel:** +61 8 9328 9411  
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### SHARE INFORMATION

**Listed:** ASX  
**Ticker:** ALK  
**Shares on issue:** 200.9 million  
**Shareholders:** ANZ Nominees 19.8%, Abbotsleigh Pty Ltd 18.3%, Sydney Equities 2.4%, National Nominees 2.2%  
**Net cash:** A\$4 million (at June 30, 2007)  
**Market cap:** US\$50 million

### ASSOCIATES

**Auditor:** Rothsay Chartered Accountants  
**Public Relations:** Westbrook Financial Comms  
**Broker:** Carmichael Capital; Lonsdale Securities  
**Lawyer:** Blake Dawson Waldron

### PEER GROUP

**If focused on gold:** Avoca, Dominion, Crescent, Integra

