

# Attention ASX Company Announcements Platform Lodgement of Open Briefing®



Alkane Exploration Ltd  
129 Edward Street  
Perth, Western Australia, 6000

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**Date of lodgement:** 9-Aug-2006

**Title:** Open Briefing®. Alkane. Board Changes & Strategy

**Record of interview:**

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Alkane Exploration Ltd (ASX code – ALK) recently announced that John Dunlop would become Non-executive Chairman and that Ian Gandel would join the Board. Ian Cornelius remains on the Board as a Non-executive director and David Kennedy has resigned as a Non-executive director, but has accepted a position as Alternate Director. Lindsay Colless has also resigned from the Board and remains as Company Secretary. What are the expected benefits of these changes?

**Technical Director Ian Chalmers**

The changes will reinvigorate the Board because we're bringing in some additional expertise. John Dunlop is a highly regarded mining engineer and it will be of great benefit to be able to bounce ideas off him, particularly with the development projects like Wyoming. Likewise, Ian Gandel complements the existing Board members extremely well with his strong financial background. These guys are both very positive about Alkane's assets and believe that we can make them work. They are actively developing other projects in Alliance Resources Limited and Gippsland Limited and are strongly project orientated and keen to see production cash flows from all of their areas of involvement. Ian has contributed a substantial amount of his own money to back that opinion.

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Do you expect any significant change in strategy, particularly with your five main projects – Wyoming (gold), Dubbo Zirconia Project, Galwadgere (copper), Newmont exploration joint venture and Nullagine Iron Ore?

**Technical Director Ian Chalmers**

The overall strategy for the Company and its projects are currently subject to review, but the Board has indicated its preference to focus on Wyoming and Dubbo. The primary aim is to get back into production and cash flow as soon as practical and Wyoming presents that opportunity while Dubbo offers the quality of a long term project.

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You also announced recently that laboratory scale optimisation of the flow sheet for the Dubbo Zirconia Project (ALK 100%) had commenced at the facilities of ANSTO Minerals at Lucas Heights near Sydney and that you hope to complete that by the end of the year to enable the construction of the Demonstration Pilot Plant early in 2007. When will the Demonstration Pilot Plant be operating, what will it cost and what will the results tell you about the viability of the commercial project?

**Technical Director Ian Chalmers**

The Pilot Plant should be operating by the second quarter of 2007 and the idea at this stage is to run it for a minimum of 6 months, but probably more likely 12 months because I'm sure we will be getting ideas and feedback from customers during that period.

We think the Pilot Plant will cost around \$1.5 to \$2.0 million to build and then around \$1.0 million per six month period to run. The \$3.29 million Commercial Ready Grant has commenced whereby AusIndustry contributes to the DZP on a dollar for dollar basis.

The Demonstration Pilot Plant will be the final test on whether we can get the DZP into commercial production. It will prove the technical and commercial viability of the flow sheet to financiers and other experts, but perhaps the most important thing it will do is produce product in volumes large enough for customers to evaluate. When we ran the mini pilot plant in 2002 we produced packets of 50 to 100 grams of our two key products for customers in Japan and Europe. The end users said that the product was good quality, but asked if we could supply larger quantities so that they could do more complete tests. The Demonstration Pilot Plant should produce several tonnes and we should be able to provide around 50 to 100 kg lots and hopefully we can win off take contracts after customers do the additional test work.

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What are the advantages of doing the laboratory work at ANSTO's facilities for a project such as the DZP?

**Technical Director Ian Chalmers**

We were very impressed with the ANSTO set up when we first saw it last year. The laboratory has world class analytical facilities which will give us a lot of flexibility as we go through our process optimisation work. We can try different things quickly without the delay in having to send our samples to a commercial laboratory for checking. Importantly we can also utilise ANSTO's considerable expertise in hydrometallurgical and solvent extraction which they have developed over many years.

We also decided that it would be best doing the Pilot Plant phase in Sydney because it will allow us to demonstrate the project to MPs and officials from Government departments. We will eventually need project approvals from various government departments.

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You recently reiterated that Wyoming (within the Tomingley Gold Project – 100%) could produce 30-35,000 ounces of gold per year for a minimum of six years. That would generate net cash flow of around A\$8 million per year at a gold price of A\$850/oz and cash costs of about \$575/oz. Can you explain how you could optimize the development and improve gold output and cash flow?

**Technical Director Ian Chalmers**

We think there are many opportunities to optimise the project. We assumed a base case in the pre-feasibility study of a 0.5 million tonne a year open pit plus a 250,000 tonne a year underground operating for 4 years and 2 years respectively. We think the base case is achievable and it actually gave us pretty good projected cash flows which you've mentioned. However, by taking the open pits a bit deeper and processing higher grades initially we should be able to increase the cash flows in the earlier years and improve the value of the project overall.

There are several other ways we can improve the economics of the project. We're quite enthusiastic about the exploration potential within trucking distance of Wyoming. Caloma is a recently reported discovery 600 metres east of Wyoming Three and 800 metres from Wyoming One. If we can prove up another one or two million tonnes of open pit material in close proximity we can get our development model back up to processing one million tonnes a year from the open pits, before going underground.

That would give us gold production of 60,000 to 70,000 ounces a year and cash flow of more than A\$15 million dollars a year. That would make it a more attractive project to investors, but one that we believe is realistic and attainable if we can demonstrate that additional open pitable ore.

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You have moved to the Definitive Feasibility Study (DFS) after the results of the Wyoming pre-feasibility study indicated that the project was robust enough to proceed. What are the major tasks for the DFS and the timetable?

**Technical Director Ian Chalmers**

The initial major tasks in the DFS revolve around the project optimisation and we are going to run the models again at 500,000, 750,000 and a million tonnes a year for the open pit.

Hopefully by October we should be in a position to start to get more detailed pricing quotes from contractors and from vendors for plant and equipment. We should also start diamond drilling for geotechnical reasons and get additional metallurgical samples from the two main deposits; Wyoming One and Wyoming Three. We have decided to leave that work until the last quarter because the size of the project will obviously determine the contractor and vendor pricing.

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How important is achieving exploration success around Wyoming for the viability of the project? What other leads do you have so far for possible additional ore sources?

**Technical Director Ian Chalmers**

Additional exploration success is not imperative for the project's viability, but we think it will be important to make it a very good project. Obviously Caloma is important as it's so close and we have intersected mineralisation near the surface.

We're just about to complete an exploration database covering the region. We've compiled the data from exploration over the last 20 to 30 years and we've just started to formulate drilling targets from that. There's little doubt there are suitable targets in the areas close to Wyoming and south of Peak Hill.

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Alkane also recently announced a placement to a company associated with Gandel Metals Pty Ltd., raising \$3.7 million. You're also raising \$1.4 million from shareholders through a non-renounceable entitlement, underwritten by Gandel Metals Pty Ltd. Where will you spend the funds raised through the placement? Do you expect the Board changes and additional funds to enable you to hasten the development of the projects?

**Technical Director Ian Chalmers**

The injection of funds from Gandel Metals has enabled us to focus more on the key projects, and it allows us to move forward confidently, without the distraction of having to raise additional capital in the short term. The key is getting Wyoming rolling by completing the feasibility study and hopefully giving project go-ahead in early 2007, and the Board is committed to achieving that as soon as possible.

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Can you give a brief update on the recent progress and immediate objectives for Alkane's other projects?

**Technical Director Ian Chalmers**

We still believe Galwadgere within the Wellington Project is a very good deposit and while the existing drilling has defined a relatively small resource, further drilling could see this expanded significantly. It looks as though it could generate pretty reasonable cash flows from a nice clean copper sulphide concentrate. We need to spend another \$2 to 3 million on it to hopefully increase the resource and to do some basic feasibility studies. We might be able to do that on our own, but we've considered introducing a joint venture partner on terms favourable for our shareholders.

The Orange Joint Venture with Newmont is progressing well. We're currently drilling at the McPhillamy's prospect within the Moorilda tenements which is one of the projects we haven't done any work on for a couple of years. We have some very encouraging targets down there. There is an aircore and a one hole diamond core drilling programme nearing completion, and I'm hopeful that some useful results will come out of that and give Newmont further motivation on the project.

Nullagine is at a very interesting stage although we're unable to say anything publicly yet as we've not finalised the proposed way forward. I'm hopeful that we'll be able to give a more specific statement about where we are headed with Nullagine in the next few weeks. We have certainly put a lot of hard work into it even though that mightn't seem the case from an outsider's perspective. It's a potentially significant asset and we're really trying to come up with the best option for Alkane shareholders.

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Thank you Ian.

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For further information on Alkane please call Ian Chalmers on (08) 9328 9411 or email [ichalmers@alkane.com.au](mailto:ichalmers@alkane.com.au)

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