

CASE STUDY

Resources sector – Media and investor relations

The resources sector is competitive in terms of gaining the attention of the media and investment community. There are many listed resource companies and outside of the largest few, the majority are of a small to medium size which all compete to bring their stories to a wider audience. As much as these companies need to invest in resource exploration and development, they also need to invest in building their own profile which is a major factor in attracting capital and reducing its cost.



Alkane is a Perth based resource company, with the majority of its areas in New South Wales. For some years it operated the Peak Hill gold mine, taking it from an exploration project to completed mine. It now has several projects in an advanced stage of exploration, covering gold, gold copper, zirconia and iron ore.

Challenge

Alkane decided to invest in building a higher profile with the media and investment community. One of the factors influencing this was that despite its Western Australian home base, the local media showed little interest in a company with assets in the eastern part of the country. The approach to Westbrook Communications was to achieve media coverage that would assist in building a profile and also attract the attention of a wider circle of resource analysts and stockbrokers. Another element of the challenge was to achieve these objectives cost effectively.

Strategy

The strategy for Alkane was to establish a basic source document which set out simply the Alkane story in an attractive and easy to read format. This was in a style suitable for the media and investment community and in a format that could easily be updated and expanded with maps as needed. The plan also was to rely on the detail of Alkane ASX announcements as a basis for news, with them being passed on to the media and investment community with encapsulated story summaries.

Implementation

News flow is critical in keeping a story prominent with the media and investment community. However, what is also influential is putting this news in the context of “the story so far”, which saves journalists and analysts from backtracking in files to piece together the importance of the latest drill results. Building relationships with journalists and analysts has also helped to support a following of the unfolding story.

Results

In comparison with peers, Alkane has a significantly higher profile and a following with journalists across the country. From a cost effective campaign, implemented continually with news announcements, Alkane achieves media coverage and a wider understanding of its corporate story.



BARGAIN-BASED INVESTMENT GEMS

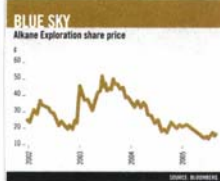


1 ALKANE EXPLORATION
Business: Mining exploration
Current price: 17.5¢
52-week high/low: 26¢-13¢
Market capitalisation: \$27.3 million
Reason to buy: Newmont, the world's biggest gold miner, will explore Alkane's area near Orange, New South Wales, to earn a controlling interest.

There are numerous exploration stocks in the sub-\$1 area; unless they make a discovery that promises a new mine or oil or gas field, explorers will lag. Despite the mining and oil sector being in the greatest commodity boom yet, the market is suspicious of blue sky. For investors prepared to take a punt on exploration, this means it is possible to find promising potential at low prices. On August 17, Alkane Exploration announced a deal under which Newmont, the world's biggest gold miner, will explore Alkane's exploration tenements near Orange, NSW. The area is adjacent to Newcrest's giant Cadia Valley gold-copper operations. Cadia contains a big gold system, and geologists have long speculated that this part of NSW could contain other big deposits.

Newmont can earn 51% of Alkane's areas by spending \$5 million within five years, and another 24% with additional spending. Obviously, how far Newmont goes will depend on drilling results, which are unpredictable, but the upside could be substantial. Newmont's priority in its international exploration programme is simple: to find the resources to support its gold industry leadership.

When the Newmont contribution was announced, Alkane's share price jumped a few cents but quickly ran out of steam. Interest should increase when Newmont begins drilling. The programme is expected to begin this year. Alkane also has other projects that could lead to mining in the next few years.



THE AUSTRALIAN
1 December 2005

WESTBROOK COMMUNICATIONS
15 Bent Street, Sydney, 2000

CRITERION with TIM BOREHAM

Alkane Exploration (ALK) 20c

WITH gold prices surging past \$US500 for the first time since 1987 it's time for investors to be thinking about... drum roll... gold stocks. With such dazzling insights, it's no wonder Criterion's on the big bucks.

The share price horse has probably bolted when it comes to established miners such as Newcrest, or putative producers such as Bendigo Mining, both of which we like, by the way.

So the game's really about picking promising explorers with a reasonable chance of actually producing some yellow stuff. Alkane Exploration attracted our attention because it is not just exposed to gold, zirconia and — gasp — uranium. It also has secondary dabbings in iron ore, copper and nickel sulphide.

A few things are going on in the company, all with the ability to impact on price," says technical director Ian Chalmers. Alkane's most promising asset is its Wyoming gold deposit in central NSW, which is rated as having an initial resource of 600,000 ounces.

The open-pit resource to date is measured at 7.1 million tonnes at a grade of 2.24 grams a tonne. Alkane has also been drilling to look at underground options. Results include grades of up to 54.7 grams a tonne, or in Chalmers's words "one of the best gold intersections in Australia in the last four or five years".

Also on the gold front, Newmont has farmed into the so-called Orange deposit, which is close to the eponymous town — and adjacent to Newcrest's Cadia/Ridgeway deposit.

Newmont will spend an initial \$5 million to earn a 51 per cent interest in the project. The idea is that Alkane is free-carried to a 25 per cent interest in a project touted as a 250,000 ounce a year deposit.

The Orange people are expected to provide updated drill results in the next two to three weeks, which might give the stock a kick-along.

In the same region, Alkane is sitting on a world-class 35 million tonne zirconium resource. The property also contains 35 million pounds of uranium, which could be mineable as a by-product.

Zirconia has myriad uses in electronics, mobile phones and TVs, to solid oxide fuel cells and as a paint-drying agent.

In its metal form, zirconium is used to line nuclear reactors, another obvious growth area given the renewed interest in atomic power. About 90 per cent of the world's zirconium output is currently used in this manner.

"Dabbo will be the first deposit where you take the rock out of the ground and turn it into value-added product," Chalmers says. "We are doing something no one else has done."

Alkane's intention is to spin the zirconia off as a separate listing, with local investors favouring a spin-off.

"It is our opinion that the (zirconia project) has far more value outside of Alkane as the intrinsic value of the project is not reflected in the current share price," broker DJ Carmichael said recently.

Alkane also has some side games in copper, a 2 million tonne deposit at Galwagere in NSW, and iron ore.

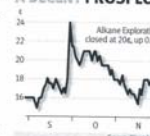
The 150-million-200 million tonne Channel iron ore deposit is at Nullagine in WA, about 100 km from BHP's Mt Newman mine and close to Fortescue's proposed rail line — not that anyone's holding their breath for it to be built. Alkane geologists accidentally discovered the deposit in 1990 when they were looking for diamonds.

Chalmers says Alkane's got no interest in developing the deposit in its own right, but could be a source of royalties if a nearby iron ore hospital were interested in buying the asset.

In a joint venture with Jubilee Mines, Alkane is also exploring for nickel sulphide in WA's Leinster region. For the last decade, Alkane's exploration has been underwritten by gold production from the Peak Hill mine, which has contributed \$15 million in cash flow.

The mine is now exhausted,

A DECENT PROSPECT



but there's the potential for underground development.

Chalmers's take on Alkane's share price is that it ascribes a value to Wyoming, but nothing for the rest of the assets. "Our belief is over the next six months we will go into production at Wyoming."

Chalmers says he "never ceases to be amazed" at the extent to which central NSW has been overlooked as a gold region, in favour of WA.

Any production facility will enjoy the advantage of being closer to a labour pool, which would obviate the need for fly-in fly-out arrangements used by remote WA miners.

Alkane had cash of \$2.46 million as of June 30, 2005. Chalmers anticipates a \$20 million raising (70-80 per cent debt and the rest consisting of equity to fund any Wyoming development). The company raised \$3 million at 15c apiece in a rights issue earlier this year.

Criterion quite likes the notion of a multi-commodities exposure and rates Alkane a high-risk SPECULATIVE BUY.

Alkane is a veteran of the mining boards, having been listed as a Sydney basin gas explorer since 1969.

Critical types might question why investors have been waiting since man first walked on the moon for something to happen.

A fair point, but explorers really need to be judged on what they've got on their books at present.

Westbrook Communications is Australia's leading independent financial public relations firm.

Our team comprises senior people with backgrounds in journalism and the investment markets, giving us an edge in advice on communication of business information.

Our years of experience enable us to advise companies on communication with the media, investors and the investment community.

Crucial to this is guidance on the content of what is said and the how and when to maximise its value.

With our input your company can achieve the positioning and recognition it deserves.

Level 1
17 Castlereagh Street
Sydney NSW 2000
Telephone 61 2 9231 0922
Facsimile 61 2 9231 0131
info@westbrookfin.com.au
www.westbrookfin.com.au

