

# Alkane officially becomes a gold producer as Tomingley mine opens for business



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resources Ltd. ('Alkane', ASX: ALK | OTCQX: ALKEF), well-known for its rare earth Dubbo Zirconia Project, has officially become a gold miner as it formally opened its Tomingley gold mine in New South Wales. Last February 14, Alkane announced the first gold pour at Tomingley with the production of an eight kilo bar, containing about 230 ounces of gold. The opening of the Tomingley operation had not been expected until late April and the early and on-budget opening sends a very favorable message to the markets and to Alkane's investors. Tomingley will soon be ready to produce at close to, or at, design capacity, generating the cash flow that will help fund, and accelerate the development of, the rare earths operation. The mine holds three gold deposits with a resource of about 14.3 million tons (with 921,000 ounces of contained gold) and it is expected to produce an annual amount of 50,000 to 60,000 ounces over an estimated 7.5 year period. Alkane announced it has hedged its gold with Credit Suisse "for delivery of 25koz by 16 May 2014 at a price of AUD\$ 1,449/oz (USD\$1,308/oz), limiting gold price volatility.

The timing of the opening of Alkane's Tomingley mine is ideal. Market conditions for gold are bullish. The industrialized nations continue to struggle with deficits, ever-increasing debts, encouraging central banks to print more money, while raising demand for gold. Last year, gold's market performance was rather chaotic but its fundamentals, or the conditions that favor its price increase, have improved. One of the main reasons for this optimism is that China has been buying several tons of gold. Moreover, last year, nobody could have foreseen Vladimir Putin's invasion of Crimea and the resulting re-awakening of a situation in Europe not seen since the Cold War. Germany's Commerzbank, which is closely observing the situation in Russia and Ukraine, has been surprised by the gold's rapid rise and expects that the price of gold could reach USD\$1,400/ounce by the end of 2014 – today's the price of gold stands at USD\$ 1,335/ounce.

At the recent Prospectors and Developers Association of Canada conference (PDAC) the President and Chief Executive of Dundee Corporation, Ned Goodman, offered a bullish take on the gold market, suggesting that "we are in the midst of the buying opportunity of a generation for gold". There are also a number of factors that could bring new buyers in the gold market. Demand from China and other emerging markets (in the same region) should continue in response to shared geopolitical concerns and rising consumer demand. In more developed countries, inflation should remain low, given low GDP growth predictions. Moreover, investors in Europe and North America will see the continued efforts – and mistakes – by central banks and finance ministers to stimulate the economy as a signal to keep their money into more 'traditional' investments such as gold.

The favorable gold price prospects mean that gold miners will be able to produce profitably. Alkane's strategy to hedge its primary project, focused on rare earths, with a commodity such as gold (and in very favorable market circumstances) is very

effective. Alkane will be able to finance its exploration activity and subsequent processing facility without incurring the kind of debt that has crippled the likes of fellow Australian miner Lynas Corp ('Lynas', ASX: LYC). Lynas has reached production stage but it will now have to re-capitalize or seek new investors and financing to keep producing (not even to keep exploring). Lynas suffered an excessive lag period due to Malaysian political risks, which delayed the opening of its processing facility (LAMP) in Kuantan. Now Lynas is lagging behind its own schedule and also still suffering from the fall in rare earth prices of 2012-2013.

The complexity of the production of rare earths makes these completely different investments than gold. After separation of the deposits from the rock, it is relatively easy to make a bar of gold and sell it as a standardized product. In the rare earths, the mining of the ore is just one of a series of very complex steps; the art is in the separation techniques, the effectiveness of which is determined by the quality of the ore and the relatively high percentage of heavy rare earths that can be recovered. Alkane, however, has been working on the processing aspect with outside partners almost from the very start. As if the gold-hedge were not enough, Alkane has also managed to secure some very big financial players to arrange the investment banking and product financing support including Credit Suisse, Sumitomo Mitsui Bank and Petra Capital. Alkane indicated that it has also considering selling a 10% stake in the project to raise AUD \$200 million.