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### **No Going Back To Murrin Murrin: And GME's Heap Leach Nickel Project Should Go Easier On The Nerves Too**

By Our Man in Oz

***If not for the lower nickel price, if not for a project location adjacent to the often troubled Murrin Murrin mine, and if not for a "colourful" past, the investment world might be taking a much closer interest in GME Resources. That will change. Despite its ultra-low profile in a rattled stock market, GME has qualities which will see it emerge as a significant player in the nickel world for three very simple reasons – a vast reserve of nickel in the ground, a low-cost technology to get it out, and a board of directors who know all about tough mining projects. So far, investors are interested, but not subscribing fully to the GME story, which has its roots in the shadow of Murrin Murrin.***

Advances in the way laterites are treated mean that GME is not be proposing to build Murrin Murrin Mark Two. If it did, everyone familiar with that saga would run screaming from the room. For any Minesite reader asleep during the 1990s Murrin Murrin was the original brainchild of Andrew Forrest, the man behind the tear-away iron ore success, Fortescue Metals. Forrest's grand nickel-plan was to use high-pressure, acid-leach (HPAL) technology to extract metal from ore averaging around 1% nickel. Said quickly, it sounded easy. It wasn't, and still isn't. The company Forrest founded, Anaconda Nickel, has changed its name to Minara Resources, and while a star when the nickel price soared briefly above US\$20 a pound, it's now in the doghouse as the nickel price tumbles and the cost of the critical inputs, sulphur and power, soar.

GME's exploration tenements are immediately adjacent to those of Minara. In fact, back in the 1990s a nasty, name-calling spat broke out over who promised what to whom over access to the ground. The end result was that Anaconda/Minara steamed off to develop its own project, and GME disappeared from view, but retained its tenements. Today, it's sitting on more than 300 square kilometres of ground, into which has been punched 165,000 metres of drill core. It's mainly shallow drilling, but that's the nature of laterite ore. The target is to prove up 75 million tonnes of reserves at 1% nickel. If done, that means GME's NiWest project will contain one million tonnes of nickel in the ground, with a sweetener of 85,000 tonnes of cobalt. The latest drilling results, which include a 23 metre section assaying 2.5 per cent nickel, indicate that the 1% target average will not be hard to hit.

"We're confident that we have the best undeveloped laterite nickel project in Australia," is how GME managing director, David Varcoe, sees his patch of dirt near the central Western Australian town of Laverton. A mining engineer with 20 years experience Varcoe is a new name for most investors. The rest of the GME board is better known, especially Geoff Motteram and Peter Sullivan. Motteram was a senior executive at Anaconda and has probably forgotten more about nickel processing than most people will ever know. Sullivan, meanwhile, is chief executive of the gold mining company, Resolute, which is re-developing the tricky Syama project in Mali.

Over coffee at Black Tom's, a joint almost as infamous in Perth as Murrin Murrin is in the outback, Varcoe explained to Minesite's Man in Oz the next steps that will be taken in elevating the NiWest project from concept to reality. They are: to continue drilling, and to start a detailed test to investigate whether the ore is amenable to heap leaching, a far simpler process than HPAL, and a process which Minara itself is now using, such are the savings on costs, and anxiety. The essential difference is that HPAL dissolves the ore in sulphuric acid in a pressurised, stainless steel autoclave, while heap leaching is just as simple as it

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sounds. Grind the ore, spread it out, sprinkle it with sulphuric acid, catch the run off, and process the liquid through what is essentially the second-half of Minara's HPAL plant. The process will be more than familiar to followers of Aim-traded European Nickel, though that company has its own different stresses and strains to worry about. The trick is to work out whether the atmosphere in Australia is up to it in the same way as it is in Turkey for European Nickel.

Varcoe said that a key step in the assessment process would be the trial processing of 4,000 tonnes of ore through a plant acquired from another laterite nickel hopeful, Heron Resources. Equipment needed for the trial has been relocated from Heron's operations near Kalgoorlie to Laverton. Testing is due to start in October. "We've conducted a series of laboratory tests on NiWest ore. What we now need to do is scale-up the testing," Varcoe said. "The fact that Minara is expanding its operations with atmospheric leach adds greatly to the confidence in our project."

And so it should, because Minara's addition of a heap leach circuit is a stark admission that the HPAL process, which is also being used by BHP Billiton at its new Ravensthorpe nickel mine, is more trouble than it's worth. Murrin Murrin was years late in completion, cost at least double its original budget, and has never achieved nameplate capacity. Ravensthorpe is also a year late and has also cost roughly double the original estimate, even given the lessons supposedly learnt at Murrin Murrin to guide the BHP Billiton construction team.

The proof of GME's optimism lies in the testing that's about to start on the Hepi orebody, 10 kilometres south of Minara's Murrin Murrin plant. Results from that testing will be a key ingredient in a bankable feasibility study, work on which started in May. The basis of that study is a project producing between 30,000 and 35,000 tonnes of nickel metal a year, which will require the mining and processing of between 3.5 million and 4.5 million tonnes of ore. If all goes to plan, first nickel will be produced in 2012.

GME's plans have attracted minimal publicity in Australia, which is hardly surprising given the painfully expensive history of trying to treat laterite ore. Over the past year, as the price of nickel has retreated to around its current US\$9.50 a pound (and about the same in Aussie dollars given that parity looms), GME's share price has contracted back from A85 cents to A27 cents. The share price slide is a worry, but it's a problem seen many times over by GME's board. In other words, the people running the company have seen tough times before, and they ought to know how to steer a path through the uncertainty and, fingers crossed, have GME ready for the next upswing in the metals market (fingers still crossed).