

Nickelore's Halcyon days are here

When Iggy Tan describes his new charge, Halcyon Group, as a turnaround company, he's not wrong.

By **Nick Evans**



Halcyon managing director Iggy Tan.

Iggy Tan's arrival at Halcyon Group in July was immediately greeted with a speeding ticket from the Australian Securities Exchange after the company's shares surged from 1.9c in the previous week to 3.2c the day after his appointment as managing director was announced.

In the few months since his appointment, the company has emerged as one of the most promising emerging nickel producers on the junior mining boards.

Within the first three months of Halcyon's new life, the company has:

- acquired a section of highly prospective nickel tenements;
- secured a mining rights agreement for an existing nickel project; and

- drawn up plans for a feasibility study into proposals for nickel production and processing operations.

A 22-year veteran of operations management, Tan told *RESOURCESTOCKS* he had a pretty clear purpose in joining the company.

"I guess Halcyon was a flagging company as a broad-based explorer," he said.

"In the three months I've been here my job has been to revive the company with a new corporate strategy. And yes, it's fine to be a broad-based explorer, but you start to really drive value for your shareholders when you have a clear strategy of getting the company into production."

Since July the company has snapped up a

series of highly prospective laterite nickel assets at the old Siberia project, 70km north northwest of Kalgoorlie, and shifted focus from being a broad-based explorer to a potentially significant nickel producer.

"We've decided to focus on a single commodity, nickel, because we believe that nickel has a very positive future," Tan said.

"In any revival strategy, you need a company-maker to deliver value for shareholders, and we believe we've found a company-maker in the Canegrass nickel cobalt project outside of Kalgoorlie."

In August, after extensive negotiations, the company acquired two related sites with nickel rights north of Kalgoorlie in 14 square kilometres of the Kalgoorlie-Boulder Resources nickel tenements, and the laterite nickel rights in the Siberia deposit from Monarch Gold Mining Company.

Together, the Monarch deal and the Kalgoorlie-Boulder Resources tenements, established a project area of 27sq.km, about 25km northwest and along strike from the Russian-owned Norilsk Cawse Nickel Operation.

Those rights adjoined former Western Mining Corporation's Siberia tenements from which WMC extracted 0.94 million tonnes of ore at 1.32% nickel in the late 1970s.

And in mid-September, the company dropped the final piece into place, forging an agreement with Wingstar Investments, owner of the old WMC tenements sandwiched between the KBR and Monarch sites.

The Wingstar deal and the Canegrass nickel cobalt project will allow Halcyon to develop, mine, process and sell 140,000 tonnes of nickel as laterite nickel, beneficiated laterite nickel or processed nickel, according to the company.

Tan said he was pleased with the potential



Drilling has confirmed and extended zones of high nickel.

of the company's acquisitions.

"The Canegrass nickel cobalt project is 70 kilometres north-northwest of Kalgoorlie, close to a railway line, highway and gas pipeline," he said.

"It's a laterite project and we believe that it's coming up to the age of nickel laterites – 38 percent of the world's nickel resources are in Australia and 94 percent of that is in Western Australia. Seventy percent of the world resource is in laterites, but they only contribute to 40 percent of production."

The mineral rights in the newly acquired tenements allow access to a well-developed first stage pit ready to be mined, subject to the normal mining approval process.

"The in-ground value of those 140,000 tonnes of nickel at a price of \$US15,000 per tonne, which is the usual value used in the industry, is around \$US2.1 billion," Tan said.

"In those tenements there is a JORC-compliant inferred resource of 28 million tonnes at 0.7 percent nickel."

The vendor of the Canegrass tenement completed in-fill drilling earlier this year and the first stage pit is being optimised, which will allow conversion to "probable ore reserves" in the near future.

Tan said it is important to note the mineral rights are on granted mining leases and there are no native title issues affecting the leases. He said the agreement with Wingstar allows Halcyon to fast track its development program.

"It can take many years to find and prove up prospective ground for a viable operation. The potential for this project is significant and will be a company-maker for Halcyon," he said.

Early in October the company announced the results of its own drilling at the project - the first major drill program at the site since a resource estimate for Canegrass was prepared by CSA Australia in June 2005.

There were a total of 147 holes, 7064m of reverse circulation drilling completed on two tenements, M24-290 and M24-39.

The best nickel result was HSIC017, 14m at 2.02 % nickel, 0.18% cobalt, from 1m below surface, while the best cobalt result was HSIC129, 4m at 0.92 % nickel, 0.82% cobalt, from 18m below surface

Tan said the drilling program had confirmed the robust nature of the Canegrass resource.

"The drilling has also confirmed and extended zones of high nickel and cobalt enrichment, which we have come to expect of the deposit in the highly prospective Walter Williams Formation," he said.

"We will be generating a revised resource estimate based on the new drilling data and this new resource will be announced in the near future. The program of drill results



Halcyon has a three-stage plan to develop Canegrass.

confirmed that we have enough critical mass to proceed to a nickel extraction facility."

Finding the resource isn't enough, however. In response to the positive results, the company appointed a feasibility manager for the company's nickel extraction plans and began a scoping study.

The company now has a three-stage plan to develop the deposit.

Stage one, to get a cash flow running, involves open pit mining without the need for processing plants or upgrading equipment. The company plans to mine and supply laterite nickel to nearby high pressure acid leach (HPAL) laterite nickel producers.

The second stage of development will be to establish a simple upgrade plant consisting of crushing and wet screening. Tan said Canegrass laterite nickel is amenable to screening and upgrading, and similar upgrade plants are used by nearby nickel laterite miners.

Assuming demand and economics are favourable in the future, Halcyon will consider direct shipping of the upgraded laterite nickel to meet increasing demand for nickel pig iron producers in countries like China.

The country's stainless steel makers have been increasing their use of nickel pig iron as an alternative to refined nickel in recent years, and producers are set to turn out nickel pig iron containing 80,000-90,000 tonnes of nickel metal this year, almost treble last year's production.

The planned third stage of the Canegrass project is to establish a heap-atmospheric leach nickel extraction processing plant. Heap leach is common in gold and copper production and is being developed as a viable method for nickel extraction. Several demonstration projects have been established around the world and several companies near the Canegrass tenements already have well advanced scoping and feasibility studies for heap leach processing operations.

Halcyon will also investigate atmospheric leaching processes that are available and in development. Testwork on Canegrass mineralisation by Western Mining Corporation in the late 1970s showed some potential for effective leaching with

dilute sulphuric acid.

Tan said details of planned feasibility studies and development strategies, including a review of heap leach options, will be announced in the near future.

Whatever details emerge, it's clear that, when you factor in a known resource, a clear strategy and canny management, Halcyon days are coming.

Note: RESOURCESTOCKS readers should note that, to reflect Halcyon's new focus on production, the company plans to change its name to Nickelore and consolidate its share offering on a 1 for 10 basis later this year. The company expects a shareholder meeting at the end of November will confirm these plans – but keep an eye on the company announcements for details.

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**halcyon group
at a glance**

Source: Iress

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Market Capitalisation
\$20.53 million (at press time)

Major Shareholders
Robert Charles Gardner 10%
Wessex Holdings 5%
Gary John Grogan 4%