WORDS BY **IMELDA COTTON**

GME RESOURCES

FULL SPEED AHEAD ON NICKEL PROJECT

Nickel laterites might not be the mineral of choice in Western Australia's Eastern Goldfields region, but it may be just the commodity to lift local junior GME Resources from the realms of humble explorer to billion dollar producer.

FOUR YEARS AFTER acquiring a 100% interest in the NiWest joint venture following the voluntary administration of majority partner Western Metals Copper, GME is throwing all its energies into exploiting the giant nickel project, 280km northeast of Kalgoorlie.

With tenements stretching over 500 square kilometres comprising eight separate project areas, the completion of more than 170,000m of exploration drilling to date and the support of substantial regional infrastructure such as railways, roads and gas pipelines, Niwest has just under four years of preparation left until start-up in 2012, but is already being touted as a "guaranteed company-maker" for GME with strong potential to transform the junior into one of the world's top 10 nickel producers.

At the heart of the operation is a world-class resource of 143 million tonnes averaging 1% nickel and 0.06% cobalt (at a 0.7% nickel cut-off grade), making it the "best project of its kind in Australia" with a net present value in the billions, according to GME managing director David Varcoe.

"NiWest is without doubt the best undeveloped nickel laterite project in this country right now," he said.

"Minara Resources has the major developed project in our region with Murrin Murrin and I believe we have the next best resource position outside of that.

"A junior explorer benefits greatly from having a huge base metals project under its belt, particularly when that is accompanied by a healthy resource position, excellent returns and significant long-term potential such as what Niwest offers us."

That potential originally accommodated a production capacity of 14,200 tonnes per annum of nickel metal over a 15-year mine life, but was upgraded in April when the results of a comprehensive project review unveiled a streamlined development strategy centred on a heap leach project delivering up to 35,000tpa of nickel metal over 20 years.

The new approach was supported by positive results from GME's column testwork, as well as general industry and technical support for the concept of heap leaching nickel laterites as opposed to the alternative (and costly) method of high pressure acid leaching.

"It was a planned review and we were pleasantly surprised by the outcome," Varcoe said.

"It identified that the resource base, testwork and flowsheet we were working with would actually support a much bigger project with a higher net present value than what we initially believed.

"In other words, we could easily produce more metal, significantly increase our profits and generate considerably greater returns for our shareholders.

"The decision to scale up was not a difficult one – we were progressing quite well with our understanding of the geological resource, our metallurgical tests were coming back positive and our management team was eager to proceed despite the increased cost of development."

Indeed, with revised capital costs breaking through the $1 billion ceiling (after initially being pegged at around $450m), financing the Niwest project remains GME's biggest hurdle, compounded to a degree by the nickel industry's past performance.

"There is a certain level of scepticism around nickel laterites, particularly within circles that witnessed issues in the 1990s when some nickel players struggled to make ends meet," Varcoe said.

"There were a number of different projects developed according to different flowsheets and I am not sure any of those companies got the formula just right.

"Team that with a weak nickel price at the time and the outlook for those projects was never going to be good.

"Some of those companies and their shareholders paid a high price, but I think we [the industry] have come a long way in 10 years.

"That said, one of GME's biggest challenges will be enrolling new interest and accessing funds from an investment environment that still has a bit of a hangover from that period."

The company is pinning its hopes on the project's bankable feasibility

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DAVID VARCOE
MANAGING DIRECTOR
GME RESOURCES

study to help seal any financing deals.

"It will confirm Niwest's financial viability and help convince various partners that this is a project worth investing in," he said.

"We have quite a hefty workload at present and it is all geared towards completing the study by August 2009."

On the agenda is more drilling to ensure sufficient measured and indicated resources, more testwork to ensure adequate technical support, detailed design engineering and costings for the planned processing plant and, importantly, a demonstration trial later this year at GME's Hepi mine, 10km west of the Murrin Murrin refinery, designed to scale-up laboratory column testing to a full-scale leach pad.

Plans for the trial – which will consist of a single heap of approximately 4000 tonnes of ore with provision for additional heaps if required – are well-advanced, with clearing and mining permits granted, grade control drilling completed and water requirements identified and secured.

Major components, including an ore conditioner drum, stacker and conveyor have been acquired from a demonstration plant owned by Heron Resources and put under care and maintenance earlier this year.

GME took delivery of the equipment this month, relocating it from Heron's plant to Kalgoorlie for testing and commissioning, after which it will be transported to the Hepi site.

"Only some nickel laterite ores are amenable to the heap leach treatment process and we are quite fortunate in that regard," Varcoe said.

"The main advantage of heap leaching is that the plant and mine infrastructure are much cheaper than what is needed for the alternative high-pressure acid leaching.

"We believe Niwest is well-suited to the process because it is located in a low rainfall, semi-arid environment over generally flat open country.

"Those are ideal conditions for heap leaching."

The heap leaching of nickel laterites is similar to traditional gold and copper heap leach processing whereby the ore is mined, agglomerated and stacked in piles.

The piles are irrigated with sulphuric acid that percolates through, dissolving the contained metals and the pregnant solution is then processed to precipitate the dissolved metals.

"The key input for us is acid which will be used as a reagent in large volumes," Varcoe explained.

"The price of it is determined by market demand and by the price of sulphur, which is quite high at present.

"As the nickel supply gap increases, new and replacement laterite projects are going to be needed to meet growing demand from developing countries like China and India.

"We expect there will be a similar demand for sulphur as a result."

Varcoe expects the nickel price will follow suit.

"Historically, market forecasters have called the nickel price lower than it actually turns out to be," he said.

"It has fallen somewhat in the last year, but the current consensus is around $US9 a pound for the long term and that certainly supports our project.

"China, of course, continues to drive strong metals prices across the board and we expect that will be accompanied by much higher uses of stainless steel, which is an essential building block of urbanisation.

"Currently, around 65 percent of the world's annual nickel production is used in stainless steel products while the global output [of stainless steel] has increased around 10 percent a year since 2001, primarily driven by China as one of the largest nickel consumers.

"Additionally, global nickel demand is forecast to increase at a rate of 100,000 tonnes per annum, which is very significant.

"The nickel produced at NiWest will be quite a high-value sulphide product, which is one of the easiest concentrates to sell on world markets.

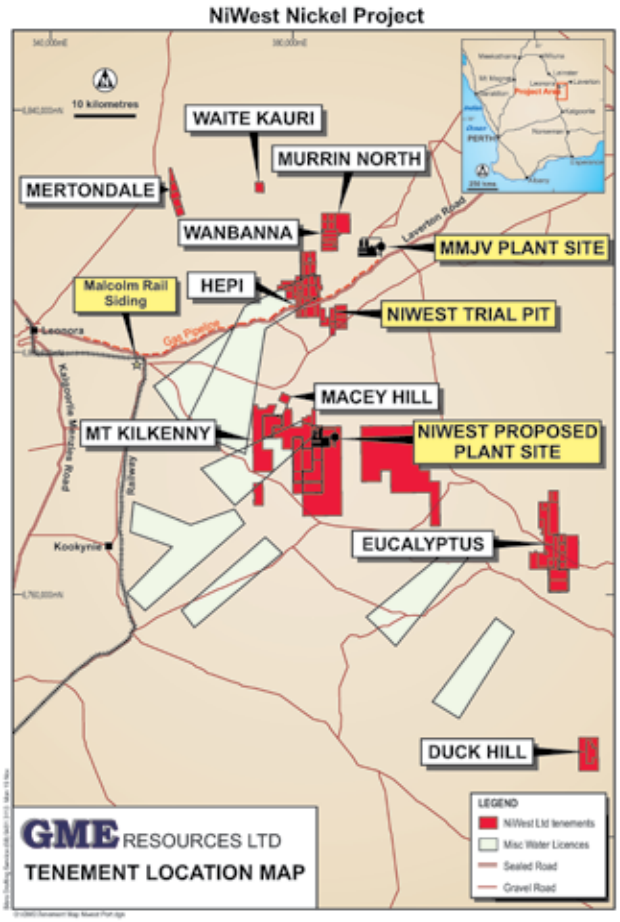
"That in itself is very exciting and confirms for us that we are onto a good thing."

Varcoe hopes such enthusiasm will be noticed by the market.

"As a management team, we are very confident in this project," he said.

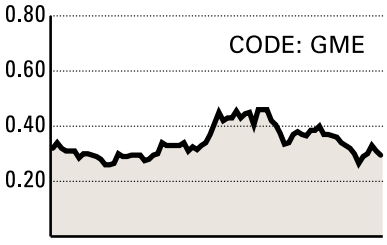
"We are making great progress in doing everything we need to get a very high-quality feasibility study completed and importantly, we are making sure we do not cut any corners.

"I think as we make that transition from a small exploration company towards a legitimate producer with a major project, that GME will be revalued over time, the huge upside inherent in this project will be reflected in our share price." RS



GME's NiWest project plan

GME RESOURCES AT A GLANCE



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MARKET CAPITALISATION
$100 million (at press time)

MAJOR SHAREHOLDERS
Retirewise Capital 16.82%
ANZ Nominees 7.73%
Mandalup Investments 6.29%
Retford Resources 5.33%