

[Home](#) > [From the Capital](#) > [Juniors sway with cyclical breeze](#)

## Juniors sway with cyclical breeze

Alto Metals is opting to mine a high-grade gold prospect around Sandstone in Western Australia at the expense of turning the state into the next Kazakhstan.

[John Robertson\\*](#) | 23 Jun 2016 | 7:41 | [Opinion](#)



*The Sandstone gold project offers commodity exposure more inline with investor sentiment than WA's uranium potential*

The Alto story encapsulates many of the themes running through the mining investment market. The company's short history also highlights Australia's still rich endowment of untapped mineral riches.

At the same time, the Alto experience shows how companies must also settle for second best, or worse, as they prioritise survival in adapting to cyclical conditions.

The recently renamed Alto Metals was listed in December 2012 as Enterprise Uranium. Enterprise Uranium was itself an offshoot of Enterprise Metals. The latter was listed in June 2007.

Enterprise Metals has roots in the Fraser Range where it began working two years before the Sirius Resources Nova-Bollinger discovery triggered a pegging rush in the area. Alto and Enterprise can also trace their genesis to an involvement in the area abutting Sandfire's Degruusa discovery.

As well as pursuing exploration interests in some of the most highly prospective regions for base metals in Western Australia, Enterprise Metals had a burgeoning portfolio of uranium exploration properties including sand-hosted uranium mineralisation on the northwest edges of the Yilgarn Craton and in paleochannels to the southeast.

The extensive exploration portfolio attracted the attention of Sinotech Minerals Exploration. In April 2011, Enterprise Metals inked a deal with a subsidiary of Sinotech giving the latter a plus-30% holding in the company in exchange for A\$12.4 million (US\$9.3 million).

Prospective ground, finance and a technically-skilled partner came with an experienced local exploration leader and an impressive discovery track record. Dermot Ryan, a former head of exploration at CRA and now managing director of both Enterprise Metals and Alto Metals, had taken a strategic view of WA geology in assembling an exciting array of exploration targets.

From a national viewpoint, Ryan's analysis of the geology was pointing to a hitherto unexpected role for Australia in the global uranium industry. In contrast to explorers who drill what they can get their hands on, he knew what he was looking for and went where he thought he could find it.

## Related content

- [Juniors on the move in Australia](#)
- [Honeymoon set to last for junior](#)
- [Why bet on the impossible?](#)
- [Sulliden back in M&A game](#)
- [Looking for answers in North America](#)

## TOPICS (select for more information):

- Gold
- Uranium
- Australia
- Kazakhstan
- Alto Metals
- Enterprise Uranium

---

*"A later generation of explorers may resurrect the possibility of WA rivalling Kazakhstan as a global uranium supplier"*

---

Speaking to this writer in Hong Kong in April, Ryan was ebullient about the uranium prospects among the paleochannels of Western Australia, going so far as to describe the state as another Kazakhstan, so significant was its uranium endowment.

Ryan had postulated sediment-hosted uranium systems mimicking prehistoric waterways. In 2012, the company defined a series of buried paleochannels following the current southwest flow of the Murchison River.

The company's Harris Lake tenement southeast of Kalgoorlie occurs at the confluence of several large channels. The Harris Lake paleochannels were first recognised as uranium-bearing by Uranerz Australia in the 1970s. Enterprise identified a buried paleochannel traversing the tenement in 2012 with a strike length close to 10km.

In August 2012, Ryan announced that Enterprise Metals would divest its uranium assets in favour of a newly-listed and independently financed company called Enterprise Uranium.

The split was intended to highlight a value proposition that would have otherwise been obscured by the non-uranium opportunities. On this reasoning, common in the industry, the two entities would attract more capital separately than in combination.

Unfortunately, nearly four years down the track, interest in uranium finds has not been sufficiently strong to sustain the corporate offspring. In the end, the Enterprise twins simply contributed to the proliferating listings and unsustainable corporate overheads that have diverted spending from exploration.

The experience of the Enterprise siblings has not been unique. And, in common with others, the debilitating reluctance of investors recently to support even the highest quality exploration initiatives has forced a strategic redirection.

Backed by a weakened Australian dollar, gold has attracted many. Recourse to historical fields permitting low capital costs and short development timeframes has been a preferred route to quick cashflow and enough breathing room to plan the next corporate move. That is the new Alto Metals model.

Gold was first discovered in the Sandstone area in 1890. The most recent mining campaign, accounting for close to half the 1 million ounces of recovered gold, was in 1999-2010 when Troy Resources operated profitably in the area.

Despite its history, the field remains only lightly explored, lacking much of the geochemical and geophysical survey data that might otherwise be expected.

Available sections from the deposits accounting for the bulk of the historical gold production show shallow dipping lenses with limited drilling data from deeper than 60m. The sections show mineralised lenses dipping beneath the openpit floor.

In acquiring its interest in the Sandstone properties, Alto Metals has recognised the potential for extensions of known lodes and veins along strike.

The convergence of two structures to the north gives the company a regional exploration potential as well as the possibility of the old workings acting as a source of near-term oxide feed for an existing processing plant.

Shareholders wanting to ensure its survival will applaud the reinvention of Enterprise Uranium as a gold producer but the transformation will come at a cost. The company may have to jettison its uranium tenements, so tight are budgets, if it cannot meet its minimum spending obligations.

Disappointingly, in all likelihood, the uranium potential identified by Ryan will remain neglected.

Commitments to nuclear power over coming decades appear likely to spur fresh exploration efforts eventually. There may even be a lithium-like rush in a moment of panic over a supply shortfall. Then, a later generation of explorers may resurrect the possibility of WA rivalling Kazakhstan as a global uranium supplier.

Meanwhile, Alto Metals will pursue its more mundane but commercially apposite gold mining opportunities with a possibility of cash flows within a year rather than a decade or two.

Timing matters.

*\*John Robertson is a director of EIM Capital Managers, an Australia-based funds-management group. He has worked as a policy economist, business strategist and investment-market professional for nearly 30 years, after starting his career as a federal treasury economist in Canberra, Australia*

