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Thursday, 10 November 2011

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A pint with: Allan Kelly – part 2

Friday, 21 October 2011
Colin Jacoby

IN PART two of his chat with MiningNewsPremium, Doray Minerals managing director Allan Kelly talks about the rise of the gold play since listing last year, the major issues impacting on the resources sector and footy allegiances.

Doray was one of Australia's best performing IPOs in 2010. What have you seen has been the key to Doray's success?

The IPO itself was a real struggle. We struggled to get the shareholders and we struggled to get the money. It was delayed by three months. On the first day we started at a discount to our listing price and it was all really unexpected. People just didn't really want to know about us.

But we had some good properties and we had some good expertise and we know that we just needed to get listed and get going so we went out and drilled the first hole and literally the first hole, four weeks after listing, we got 10 metres at an ounce followed by five metres at two ounces and the next hole seven metres at 70 grams and it just went on from there. It was totally unexpected and no one saw it coming.

We didn't [see it coming] either. We thought that if we could put together a five gram ore body over a couple of years and potentially truck it down the road that would be a good outcome. We were just totally taken aback when we saw the results coming out.

Also, we had a very tight share structure. There is only about 40 million shares on issue and about half of those were escrowed so when the first lot of results came out, only around ten to twenty million shares could be traded so that success all went on to the share price.

Then we took the opportunity to raise a little bit of money at sixty cents so we could keep with the drilling [followed by] a big placement over Christmas at \$1.30 [in which] we raised \$21 million. We managed to get the right amount of cash at the right time at a

reasonable price without incurring too much dilution to shareholders.

We have got good projects that we have only just scratched the surface with. We have got cash in the bank of around \$16 million. We have got great exploration expertise and we have started to bring on our development expertise both on the board and our employees. We have grown from a team of two on listing up to about 23.

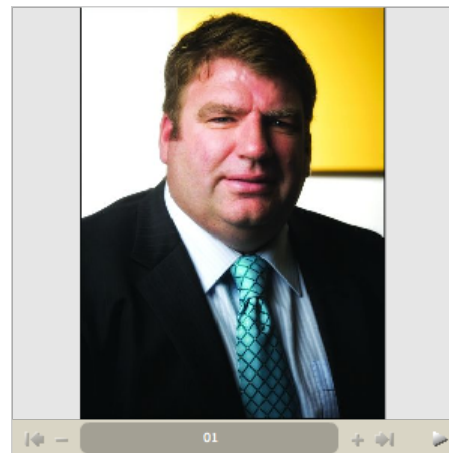
What do you see as some of the major challenges impacting on the mining sector going forward?

The main thing is the tax. While the tax doesn't affect us because we are in gold, if the Minerals Resource Rent Tax comes in, I just think it is going to be a matter of time before it is spread to other commodities. It will go to copper and nickel and it won't be long before it goes to gold and other things.

The thing I don't get is that money will go where it is welcome. I have got experience offshore, Heath Hellewell [Doray's technical director] has worked in Africa and if you make Australia uncompetitive then the capital will go elsewhere for a better deal. People will go to west Africa or they will go to South America or they will go to Asia. Shareholders just want a return on their investment.



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It is a global industry so you have got to be very careful in making Australia uncompetitive. It is all very well trying to raise taxes and pay for budget deficits but if you just make the industry uncompetitive then people go offshore. They will end up getting less tax.

Would Doray look to go offshore?

We will look at good projects wherever they are. I have got experience in North America and South America.

Would you look at gold projects or branch off into base metals?

[We would stick with gold] at the moment because gold is quite easy for a small company because you don't need ports and rail infrastructure and things like that and you can get a gold deposit up and running somewhere like Challenger in South Australia where you are just flying out gold bars, you don't need to have concentrators and rail lines and the time frame to getting these things up and running is a lot shorter too.

Also that is where my experience is. Most of my 18 and 19 years have been in gold. I have got a fair bit of nickel experience as well with Western Mining but gold is exciting and easy to put projects together as well.

When you have got a free moment, what do you get up to outside of work?

Not much at the moment. It has been a pretty busy eighteen months. Being a geologist, I like the outdoors. I like fishing and camping and travelling around the world with work and also personally. I like snow skiing. I used to be a pretty keen home brewer but I guess since the brewery I haven't done much of that anymore. I like footy and rugby. I like going along watching the Dockers and the Hawks play. I guess I am a Hawks [fan] first and Dockers second so have been to a few of those games.

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