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## Alkane declares independence

THE DIRT: Robin Bromby | August 20, 2009

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**IT looks very much like China is trying to put Australia in its place - that is, as Beijing clearly sees it, Australia as its new economic colony.**

The public rebukes and slights are extraordinary - Chinese ministers snubbing Australian leaders, as well as forums and ceremonies, and the attacks on this country in the government-controlled press.

But one junior exploration company is handing us the opportunity to declare Australia's independence - if only we can grab it.

Back in May, *The Dirt* alerted its readers to China's determination to maintain a stranglehold on rare earths. The stance has strategic implications for the West - so much military technology uses rare earths in things like guidance systems, liquid crystal displays and computers - as well as new green industries. China could well parlay this into controlling who can make hybrid and electric cars, for example. (Not the West might be one choice they make.)

Now we hear that Beijing is planning to reduce further its exports of rare earths. It will prohibit the export of yttrium (used in colour TV tubes and to halt corrosion in steel), terbium (used in lasers and semi-conductors), thulium (used in arc lighting) and dysprosium, used in high temperature magnets that are required for electric motors in vehicles.

The two most advanced rare earths projects in Australia are now tied to China. The majority shareholder in **Lynas Corp** (LYC) is China Non-Ferrous Metal Mining, while East China Exploration owns 25 per cent of **Arafura Resources** (ARU).

So we noted with interest an **announcement** today by **Alkane Resources** (ALK), which is developing the Dubbo zirconium and rare earths deposit in NSW. Reading between the lines, this is an attempt by Alkane to point out that it is the only sizeable rare earths project in Australia that remains outside Chinese control.

The company says that the announcement of the export bans by China's Ministry of Industry and Information Technology will mean that, once developed, the Dubbo project would become the most significant producer outside China of yttrium, dysprosium and terbium.

Read the announcement. It outlines just how much rare earths could be produced at Dubbo. The figures may not sound grand, but they are impressive. For example, total world production of yttrium last year was 8900 tonnes. If Alkane mined 500,000 tonnes of ore a year, it expects to produce 511 tonnes of yttrium. It would also produce thulium and perhaps 12 other rare earths elements.

With our resources companies selling off Australia's gas reserves, coal and iron ore as fast as they can ship the stuff to China, let's hope that Alkane finds a partner at Dubbo that is not beholden to Beijing - and that it can break the rare earths stranglehold.

The timing and wording of today's announcement from Alkane does suggest the company realises the responsibility it has in this regard.

*The writer implies no investment recommendation and this report contains material that is speculative in nature. Investors should seek professional investment advice.*

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