

NEWS

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SHARES IN ALKANE RESOURCES SURGE AS AMERICAN BUYERS DEVELOP A TASTE FOR ITS NIOBIUM, ZIRCONIUM AND RARE EARTHS PROJECT

By Our Man in Oz

Hitch up your moose, the U.S. cavalry (Alaskan Division) is leading a charge on the share register of Australia's Alkane Resources. No, Minesite's Man in Oz has not been drinking heavily, or indulging in the powdery-habits of that colourful resource-stock entrepreneur, Frank Timis. He has been watching something far more interesting – an Alaskan-based stockbroker tipping Alkane to its U.S. clients, and in the process triggering a mini-stampede into the stock. Within hours of the distribution of the Emerging Trends Report from 3310 Arctic Boulevard, Anchorage, the share price of Alkane had popped up from a low late last week of A28 cents to a high on Tuesday of A37 cents. It was that 32 per cent rise, coupled with the unusual sight of more than 1.4 million shares being traded on Monday which caught the attention of Alkane watchers and prompted Minesite to pay a personal visit to the company's chief executive, Ian Chalmers.

And it was well worth the drive to **Alkane's** technical office in East Perth. Not just because there was a lot of fresh information to be gathered, but more because of the curious explanation. And also for the opportunity to lay hands on the fascinating research document written by Frank Karn, the man from Alaskan-based Emerging Trends Report, who is undertaking an odyssey around Australia looking for undiscovered investment opportunities to deliver fresh to his US clients. **Alkane** was his first target, resulting in a document which included this sub-heading on the front page: "Why we are buying **Alkane Resources Ltd**" – followed by a seven-reason list.

The primary attraction to Karn of the ASX-listed **Alkane** is its Dubbo zirconium, niobium, and rare earths project in western New South Wales. In Karn's report the author is featured in a back page photograph standing atop the "Toongi trachyte", the orebody which **Alkane** has been moving towards development for the best part of 20 years. The independence of Karn's research is noted in a humorous footnote on page 1, which reads: "Other than a hamburger lunch in the field while on the Dubbo site visit the Emerging Trends Report received no compensation whatsoever for writing this report".

Regular Minesite readers, if not wandering Alaskans, will be familiar with **Alkane's** plans to turn the Toongi orebody into one of the world's major sources of zirconium, niobium and rare earths, a complex job which requires aligning a number of movable parts, including sales agreements, development funds, and government approvals. Less well known to Australian and British observers of **Alkane** and Dubbo is the fascination - or, let's be honest, paranoia – that Americans feel towards anything which might make China stronger than it is, or give China a commercial (or military) advantage. Zirconium, niobium, and rare earths fall into that category.

After his opening buy advice, Karn rattles off the appeal of **Alkane** in 10 concise pages. These look at the company's almost ready-to-go Tomingley gold project near Dubbo, and its minority stake in the potentially big McPhillamys gold project with U.S. gold giant, Newmont. But the real interest is Dubbo, and its' potential as a project which could lighten the Chinese grip on minerals important in a number of industries, including those involving nuclear power plants, advanced ceramics, auto catalysts, permanent magnets, and metal alloys. Karn points out that China controls more than 90 per cent of the global market for "the critical intermediate zircon compound, zirconium oxychloride". He also points out that one Brazilian company controls 90 per cent of the world's niobium. And that China controls more than 90 per cent of the global rare earth and yttrium market.

Australians and Brits might not think much of a China fear campaign. Americans do, which is why Karn played the China card so strongly, and why recent American congressional hearings have called evidence from Australian rare earth experts. The Yanks, it seems, are getting toey,

and keen to encourage alternative sources of production of important minerals in friendly countries. That's why Karn played the China card so hard, and why clients of Emerging Trends Report appear to have followed his advice and placed orders for **Alkane** shares in an impressive display of what happens when big buyers hit a small market.

If an Alaskan cavalry charge isn't quite enough of a convincing argument for taking a fresh look at **Alkane**, then there is another unique twist to the stock. Chalmers and his fellow directors share the American view of Chinese dominance of the markets for Dubbo's cocktail of rare minerals. Chinese companies are not on Ian's speed dial. "It's fair to say that at the moment we're not seeking any Chinese investment in Dubbo", he said. "Japan, the U.S. and Europe are higher on our agenda". For an Australian mining company that is a big divergence given the heavy flow of Chinese money into Australian mining over the past few years.

Details of what is unfolding inside **Alkane** will become clearer over the course of 2010, but there seems little doubt that the company is closer than ever to re-emerging from several years of self-imposed exile as it analyses its options. Tomingley, which will be a modest gold mine yielding around 50,000 ounces a year, remains first cab off the new projects rank, with a formal development commitment expected in July, and first gold a year later. McPhillamys will be last cab off the rank, as the development decisions now rest in Newmont's lap. Dubbo is the mid-term driver, with **Alkane** shying away from the concept of a development partner, preferring to take control of its own destiny by organising the A\$150 million in development capital from off-take partners, and becoming a supplier of unique elements in its own right.

For patient followers of **Alkane** the next few months are shaping as the most interesting in the company's long, but low-key, life. It is about to resume gold production. It has an iron in a big Newmont fire, and it has outright ownership of a remarkable orebody which has the elements which Japanese customers want, and which the U.S. government would like to see in friendly hands.

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