

NEWS

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ALKANE SCORES A CENTURY AFTER 23 YEARS OF TRYING

By Our Man In Oz

The England cricket team is not alone in setting records in Australia. Alkane Resources has chimed in with one of its own, passing the A\$1 share-price mark (or a century of cents to maintain the cricket analogy) for the first time in 23 years. Unfortunately for followers of Alkane the A\$1 milestone was passed with barely a mention in the local media when it occurred in mid-October. That will not be the case this year when an explorer which has been a feature on the ASX since 1980 sets off in pursuit of its all-time share price high of A\$3.14 set back in 1987. Driving Alkane towards a fresh record is a combination of gold and rare earth assets which has started to attract the attention of international investors who recognise the potential for the stock to deliver a unique trifecta of wins.

If the management plan unfolds on schedule Alkane's first win will be to make a return as a goldminer in its own right at the small, but profitable, Tomingley project. The second win could be the discovery of a way to monetise a valuable, but minority, stake in the big McPhillamys gold project being "worked up" by the world's biggest goldminer, Newmont. The third win, and a potential company-maker, is the near-certainty that after more than a decade of drilling, testing, and analysing the world-class Dubbo rare earths and zirconia project will get a green light with Alkane emerging as a major supplier of the hottest commodities on the planet today.

All three projects are located in western New South Wales, close to where Alkane last produced gold, at the Peak Hill mine. Tomingley is likely to be first "deal" to trigger fresh interest in the company with managing director, Ian Chalmers, confident that funding and final approvals will be received by mid-2011. "That means we can start plant construction in the second half of next year, and pour first gold in 2013," Ian said. On current planning, Tomingley will comprise three open pits and a small underground development delivering 270,000 ounces of gold over an initial 7.5 year life, generating cash flow of around A\$155 million. McPhillamys, the second gold asset, will take longer to monetise but Alkane's 25 per cent stake in a gold deposit of close to three million ounces is valued at around US\$87 million, a handsome prize to have in the company's back pocket should Newmont decide it wants 100 per cent of the project, or should Alkane opt to wait for development.

But the real prize in Alkane, and share-price driver, is a curious rounded hill, rich in rare earths, set in a sheep paddock near the western New South Wales city of Dubbo. Formed eons ago by the geological events which led to the creation of some of Australia's biggest gold and copper mines, the mineral composition of the hill is unlike anything else in the world, loaded with a cocktail of light and heavy rare earths, plus a stream of other elements, including niobium, tantalum and uranium. When Minesite's Man in Oz first visited the Dubbo discovery almost a decade ago it was to learn about a mineralised oddity named the Toongi intrusive trachyte, an ancient alkaline volcanic body, which was valued more for its tantalum and niobium than its rare earths.

The geology of the orebody hasn't changed but demand and prices for the minerals in the orebody certainly has. Tantalum and niobium will be profitable products from the Dubbo development, but the real winners will be the rare earths and the zirconia. "It's the rare earths which have been attracting investor interest over the past six months," Ian told Minesite in a pre-Christmas chat. "We ran from less than A30 cents to a peak

of A\$1.19 thanks to the fracas between China and Japan over rare earth exports. That was a useful rise, but more importantly, it put a spotlight on the value in the project."

Managing a good news triple-header will be Ian's challenge over 2011, something he undoubtedly welcomes after a decade-long research and development phase. High on his list of chores for the year ahead is organising finance for Tomingley which requires around A\$90 million in capital. Noah's Rule, a boutique financial advisory firm, has been appointed to assist with the funding process. While Tomingley moves ahead the Dubbo project will also be developing a head of steam with international interest in the project at its strongest ever.

After attending a rare earths conference in Hong Kong Ian was flooded with inquiries. "People have been particularly impressed with the fact that we have a working flow sheet and an excellent demonstration plant already producing product samples," he said. "It's been quite interesting to hear the comments from visitors to the plant who are surprised to see how simple it is. Some rare earth plants can be quite complex. Ours is not, and that's a big attraction for potential customers and financiers."

Adding to the interest in Dubbo is the recent rise in the price of zircon-related products such as the zirconium in the product stream. "We were told by consultants that zircon would be in short supply over the next eight to 10 years," Ian said. "In the last six months, that prediction has been shown to be conservative with the price of zircon around US\$1500 a tonne compared with US\$900 a tonne at the start of 2010. The higher price for zircon is now flowing into the downstream zirconium market and that's very important for the Dubbo project. All the products we're proposing to produce are for expanding and developing markets."

It's the outlook for gold, rare earths and zirconium, the three products at the heart of Alkane which explains why the stock has been undergoing a solid revival. "In the next couple of years we'll be producing from three, or possibly more mining operations," Ian said. "That will turn Alkane into a medium-sized market capitalisation mining house, and provide options for future projects. The future is the brightest it has been for many years."

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