

Alkane Resources Ltd.: ALK Hosts World's Most Interesting Specialty Metals Mine

Alkane Resources Ltd. ALK:ASX; ANLKY:OTCQX

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The following is an excerpt from the Streetwise Reports interview with Richard Karn, managing editor of The Emerging Trends Report, "[Three Australian Miners Richard Karn Believes Are Positioned for Success.](#)"

"[Alkane Resources Ltd.'s](#) Dubbo Zirconia project (DZP) is a greenfield project. The company received the last of its approvals from the New South Wales government in April. Ironically, where some "fairy tale stocks" are assigned dot-com-like valuations, real operating companies with real earnings are arbitrarily discounted. The Emerging Trends Report has long maintained that Alkane Resources is a de facto exchange-traded fund for the Australian specialty metal sector in that its Dubbo Zirconia project will produce roughly 20 of the 50 specialty metals we believe to be under long-term supply threat. Alkane also happens to own and operate the Tomingley gold project effectively as a sideline—one that is throwing off about \$20M a year in free cash flow—while it pursues the development of the DZP. Exemplifying how poorly understood the specialty metal space remains, as well as the Alice-through-the-looking-glass markets today, fund managers are openly assigning a negative value to the DZP, which has resulted in Alkane trading for less than the net present value of its producing gold mine.

The simple truth is that the DZP is a difficult but arguably the most promising, and certainly the most interesting, specialty metal project on the planet. The DZP's unique trachyte volcanic intrusive ore body hosts zirconium, niobium, light and heavy rare earth elements plus yttrium in a remarkably homogenous form that is readily soluble in sulfuric acid for processing. It is a monster deposit with an 80-year mine life and a megaproject price tag of \$1 billion. That makes the name something of a misnomer: zirconium and zirconia products constitute about two-thirds of Alkane's product line by volume but only approximately 33% of its projected profit stream.

Alkane has been developing the DZP flow sheet for 15 years, the last eight of which have seen its demonstration plant at the Australian Nuclear Science and Technology Organization (ANSTO) perpetually fine-tune the flow sheet to the point it has been producing samples of its entire product suite for end-user evaluation for the better part of six years. And heavyweight end users like Treibacher are lining up to either buy, market or refine Alkane's products.

What has captured our attention recently, however, is that this constant optimization of the flow sheet for the demonstration plant at ANSTO has resulted in the addition of hafnium oxide to Alkane's product line—the significance of which is clearly not yet grasped by the market. Hafnium is a peculiar metal, even by specialty metal standards. Because of its near identical chemical composition to zirconium, hafnium is widely considered to be the most difficult of all metals to separate and recover economically. Historically it has been used in nuclear reactor control rods

and rocket nozzles, but today well over half of all hafnium is consumed by the aerospace industry in super alloys for turbine blades (rotating parts) and vanes (stators). . .both Airbus and Boeing are predicting strong continued growth in the commercial aviation industry, so we expect strong hafnium demand well into the future.

I won't pretend to tell you how it dord it, but the fact that Alkane has a process that can now recover a high-purity hafnium oxide product will make Alkane the world's first primary mine supplier of hafnium. And that is a big deal. Myriad new and expanded uses await increased hafnium supply, and Alkane is uniquely positioned to become the first company to offer primary mine supply of roughly 200 tpa at the cost of little more than another circuit in its processing plant. Hafnium oxide trades for roughly half the price of the metal, or \$600/kg. . .the addition of hafnium to Alkane's product suite, and its importance to the aerospace industry, may well be the catalyst that gets the DZP funding commitments across the line. And once Alkane secures funding, the rerating of the stock will be substantial and will take the market by surprise—and Alkane will become another overnight success 15 years in the making."

To read the entire interview and Karn's comments on other companies, click [here](#).

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