

The Single Biggest Legislative Development in the Rare Earths Market since 2010

Today it's the 17th anniversary for **InvestorIntel Corp.**, a company I started in 2001; the 41st anniversary of the death of Elvis; and now, it is the day we nod our head in 'Respect' for the Queen of Rock n' Roll Aretha Franklin.

Amidst the news headlines of the loss of such a historical musical treasure, we are inundated here at **InvestorIntel** with an onslaught of emails asking us for coverage on the **John S. McCain National Defense Authorization Act**.

The 'what' some of you may be saying? Ah yes – we are to attempt to analyze the 'real' impact on the critical materials market from the recent signing of this law by Donald Trump. Our conclusion is that we agree with Jeff Green of D.C. based J.A. Green & Co., a full-service, bipartisan government relations firm that this **“is the single biggest legislative development in the rare earth sector since the 2010 Chinese embargo created an awareness of our military's reliance on foreign rare earth materials.”**

I would argue this event is past due. But for all of us investors tired of making heads or tails of what cannabis deal is better than the next one, allow us to reintroduce you to a market that may adrenalize you because it involves military, it involves technology and most importantly, it affects you.

Some excerpts from Jeff Green when I asked him to break this down for us. He writes:

“The new law which sets an increased budget for defence

expenditure prevents the purchase of rare earth magnets from China, which currently produces 85-90% per cent of the world's rare earth magnets. Some 90% of rare earths consumed by the US military are produced by China.

The new law takes effect immediately, but practically speaking, it will take the DoD some time to implement the law through regulation and to start including the prohibition in new contracts.

To be clear, this law only applies to the use of Chinese NdFeB (Neodymium, Iron, Boron) and SmCo (Samarium, Cobalt) magnets, the latter being already subject to a previous law requiring domestic sourcing.

The new law, 10 U.S.C. 2533c, closely mirrors an existing domestic sourcing law, 'the specialty metals clause', at 10 U.S.C. 2533b. While the latter is a Buy American clause, the former states DOD will not allow rare earth magnets and tungsten in weapon systems that is produced by potential adversaries.

The law explicitly prohibits rare earth magnets and tungsten from being 'melted or produced' in China, Russia, North Korea and Iran. That means the production of the magnet can't be in those countries, so importers and distributors can't simply bring magnet block into another country and finish into a final part – the law is designed to reinvigorate rare earth magnet manufacturing outside of China.

The DOD may ask in the near future for new materials to be added to 10 U.S.C. 2533c, so there's a good chance that this precedent continues as the Trump Administration seeks to eliminate the strategic vulnerability of foreign import reliance for critical materials – this bodes well for prospective producers outside China and Russia."

Thank you Jeff as this bill required expert translation! And

speaking of experts, we are trying to secure an interview with Nic Earner of Alkane Resources to comment on the news release they distributed last night. Am republishing it in case you missed it in our news section!

New U.S. Defence Law Bans Magnets from China, Creates New Demand for Alkane

- New US Defence law prevents purchase of rare earth magnets from China
- Signed into law by President Trump this week, increases defence spending
- Alkane says this to increase interest in its rare earths project as independent supply source

United States President Donald Trump this week signed into law the John S. McCain National Defense Authorization Act which sets an increased budget for defence expenditure.

Section 871 of the act prevents purchase of rare earths magnets from prohibited countries, like China, Russia, North Korea and Iran.

Multi commodity explorer and miner, Alkane Resources (ASX: ALK)* sees this as a boost for its A\$1.3 billion Dubbo project, which contains deposits of rare earths, hafnium, niobium and zirconium, since it represents an independent supply source from China.

A principal use for rare earths metals from the project is magnets, used across the automobile, renewable energy, aerospace, robotics and telecommunications industries globally.

Currently China produces 85-90 per cent of the world's rare earth magnets, some 90% of rare earths magnets consumed by the US military are produced by China, world demand is outstripping supply and a shortfall of rare earths magnets is

predicted by 2020.

This development follows a statement earlier this year by Prime Minister Turnbull at the time of his visit to the United States, which indicated an intended joint cooperation with the US on rare earths and high-performance metals.

According to Alkane Managing Director, Nic Earner, US needs could not be met without investment in new rare earths projects.

“Alkane’s Dubbo project is one of the few in the world which does not have a major Chinese shareholding or offtake committed to China,” Mr Earner said.

“This US development also opens the door for Australia in the downstream value adding manufacture of rare earth magnets,” Mr Earner said.

Alkane’s Dubbo project, which has a mine life of over 70 years, is construction ready with approvals in place and is awaiting financing.

Funding of the project to date has been assisted by Alkane’s nearby Tomingley Gold Mine, which generated A\$60.1 million in cash flow for the year to June 2018, and currently Alkane has cash reserves of A\$80 million.

In signing the act into law, President Trump described it as “the most significant investment in our military ... in modern history”.

* Owner and operator of Alkane’s Dubbo project is wholly owned subsidiary, Australian Strategic Metals Ltd.