

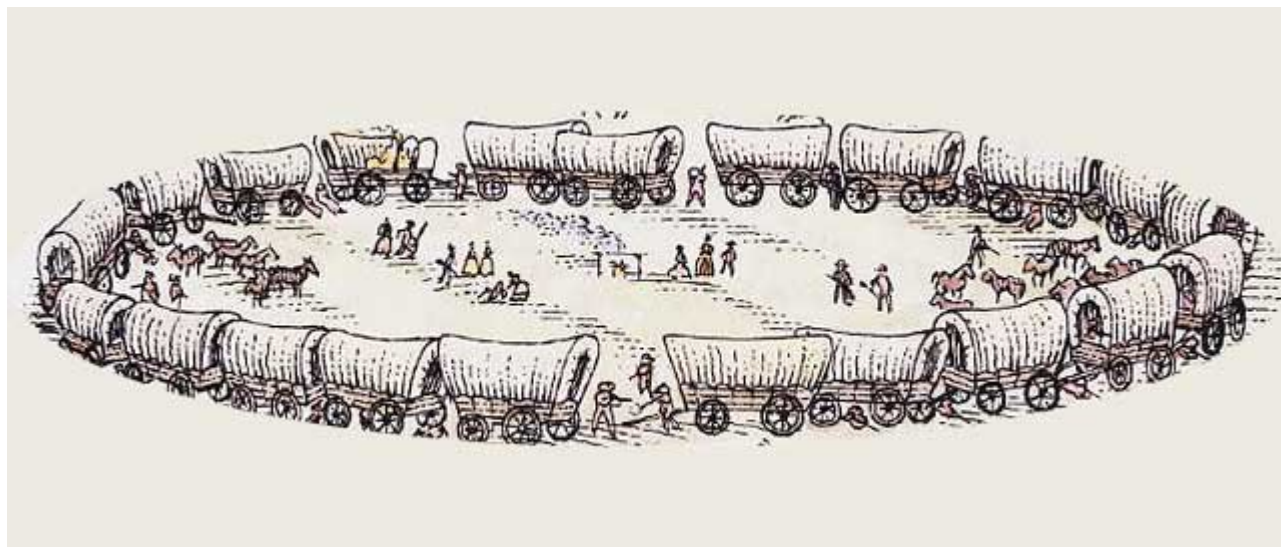
German Resource Alliance: The Rohstoff Allianz 'circles the wagons' to make investments

Several weeks back I wrote about the revival of the Frankfurt stock exchange and German equity markets in general as a playing field for mining juniors. It is strange that mining has captured the imagination of German "man-in the street" investors twice in the last decade when Germany has had so little presence in the international mining scene for so long. The only German miner that is well-known outside the country (and even then to only a rarified group of informed parties) is the potash/phosphates giant Kali und Salz GMBH (K+S).

The loss of the country's colonial dependencies at the end of the First World War and then the loss of further mining territory to Poland at the end of the Second World War, meant that whatever metals mining happened in Germany tended to be only domestically-known and not on the large scale compared to the mega-mines of Australia, Canada or the developing world. This relative lack of guaranteed access to resources in the great colonial carve-up is sometimes cited as one of the reasons for the tensions leading to WW1 and also one of the reasons the Molotov-Ribbentrop pact was entered into.

In any case, German industry has long been dependent upon "the comfort of strangers" when it comes to raw material supplies. In a globalized world this is (or was) not much of a concern because the US had also become extraordinarily dependent upon non-domestic suppliers of virtually all metals it consumes. However like the US and Japan back in 2010, the German industrial complex had a massive wake-up call when the Chinese decided to choke off Rare Earth supplies at that time. This was not isolated with various other specialty (e.g. Antimony, Tungsten, Moly) and base metals having seen the Chinese

flexing their muscles and fiddling with prices to “show the West” who was now boss. Unlike the US, where lip-service was paid to the issue but nothing actually done, the Germans circled the wagons pretty swiftly and started thinking about how life in the metals space might look if China was removed from the equation, or at least minimized.



The first response was to set up working parties and launch research projects for recycling and reclaiming Lithium and Rare Earths. The bigger response though was in getting German industry to sit down and form a German Resource Alliance (Rohstoff Allianz) with a goal of strategizing and making investments.

Germany's Mining Brains Trust

I first got an inkling that the Germans were resurgent in metals when I was at an Antimony conference and bumped into a representative of the German equivalent of the USGS or BGS, an organization called the DERA for short (or those who can't pronounce German). I had never heard of it before but it didn't surprise that Germany should have such a body such as this. What was surprising though was what it does. While the USGS speaks about deposits and a little bit about producers and high level export/import numbers the report that the DERA produced on Antimony was another category altogether with much

better grasp of the global scene and where production was coming from and likely to come from, including clandestine production and smuggling.

Then we came across a project for a specialty metal in another EU country and they informed us that DERA was actually footing the bill for 40% of their exploration budget. When we asked why a German government entity would fund a foreign company undertaking exploration in another country the response from the explorer was that DERA “wanted to know what was there”.

The Threat to the Industrial Heartland

I have written before of the strange actions of the Chinese with regard to Tungsten. Restrictions on the export of this metal were viewed by us as being tightly linked to the Chinese desire to move up the value-added chain in industrial production and what could be more value added than machine tools, for which a cutting edge (literally) metal like Tungsten is key? The problem for the Germans is that this is one of their bread-and-butter industries and one of the reasons the German industrial heartland has staved off the ravages of China, while textile companies and shoe manufacturers across Europe and North America have succumbed to the Chinese tidal wave of cheap production. The Germans now have the feeling that the machine tool putsch by the Chinese has put a target on their back.

The Rohstoff Allianz was established in March 2012 as the response to this threat to raw material supplies. The three early priorities of the consortium are Rare Earth Elements, Coal and Tungsten (surprise!). The rollcall of members is prestigious to say the least. Beyond the five government entities involved (it is Berlin based, like DERA) the other founders were:

- BMW
- Thyssen-Krupp

- BASF
- Daimler
- Wacker (chemicals)
- Busch
- Chemetall
- Bayer
- Stahl-Holding-Saar (steel)
- Aurubis (the largest copper producer in Europe)
- Evonik (a specialty chemicals firm)
- GeorgsMarienHutte (steel)

This is a Who's Who of the German industrial establishment. If we had wound back the clock twenty years the late great **Metallgesellschaft** would most certainly have figured in this list. The demise of that firm removed Germany's main player in the trading house space of the metals industry. At best there are now only very small German players in metals trading.

The Alliance has a brief to invest in mining companies from the early exploration phase through to the mining phase. It surprises me that the Vancouver promoters are not beating a path to the Alliance's door. Then again the members of the Alliance are not looking for over-drilled moose pasture here but want to see companies that are serious about production (in which case most of the Vancouver crowd can save the cost of the flight to Berlin).

The concept sounds great. It will be interesting to see what projects reach fruition through this nurturing process.

Conclusion

The current website of the Rohstoff Allianz has broadened out its fields of interest. Now it covers, base metals, specialty metals, REEs, coal and graphite. Sorry folks, no gold or silver!

It is no coincidence that the German language contains the word *Gesamtkunstwerk*, besides being a mouthful it nowadays

(having originated as an artistic term), can be used to describe an all-embracing work of art. The Rohstoff Allianz combined with the intensified recycling efforts and DERA is indeed an all-embracing industrial *Gesamtkunstwerk*. Comparing the scatterbrained response in Washington to the Chinese resource domination threat, to the German response, it is night and day. The Germans (with government working alongside industry), have identified the threat and started doing something about it. In the US, the government looks to industry and industry looks to government and nothing gets done.

So while investors look in vain to Canadian or Australian mining capital markets to cure what ails them, the Rohstoff Allianz clearly is a new kid on the block, but while not having constraints by size, it is clearly not for the non-serious, which means that those dedicated to getting to production (particularly in Eurozone countries) should be given a decent hearing. Fakers need not apply...