

2017 – The Year of Alkane Resources

A little while ago, I wrote an article that claimed 2017 would be an incredible year for renowned Australian multi-commodity explorer, Alkane Resources Ltd. (ASX: ALK | OTCQX: ANLKY) (“Alkane”), and for those of you who remain unconvinced, the company recently published an outstanding quarterly activity report that goes beyond suggesting that their position is getting increasingly formidable by the week. Record quarterly gold production combined with rapidly improving market conditions are outstripping even my expectations, and looking at Alkane’s share price chart, I spy a recent trend reversal that could signify a serious boom period for the Aussie junior.

The company’s Tomingley Gold Project has produced a staggering quantity of material this financial year, and furthermore, Alkane has managed to significantly reduce on-site operating costs. The company sold 31,107 ounces of gold generating revenues of A\$52.6 million at an average price of A\$1,690/ounce, and secured forward contracts (as of 30 June 2017) of 17,500 ounces at an average price of A\$1,716/ounce. Given that budgets for FY2018 are complete and production is expected to be 65,000 to 70,000 ounces of gold at an all-in sustaining cost (AISC) of A\$1,100 to A\$1,200 per ounce, those expanding margins are looking very healthy indeed.

Gold production was above forecast at 27,924 ounces and well above the previous quarter of 18,721 ounces. This has been largely attributed to surprisingly high-grade material emerging from one particular pit (Caloma Two), and mining for the coming budget period will be exclusively from this mine and one other (Wyoming One). Full year production for FY2017 was 68,836 ounces, meaning that Q4 production comprised over 40% of the annual total; with Caloma Two playing a more

significant role in the coming year, FY2018, in my opinion, stands to be even more impressive.

On top of record gold activities, the highly anticipated Dubbo Project has made significant advances. Alkane signed a processing agreement with Vietnam Rare Earths (VTRE) in 2016, and this quarter signed a 12-month toll treatment agreement; subsequently, VTRE processed two shipments of light rare earth element (REE) concentrates totalling 80 tonnes acquired on market by Alkane, producing approximately 31 tonnes of separated rare earth oxides, including cerium, lanthanum, praseodymium, and neodymium oxides. Final processing is expected to be completed in July, with products then available for sale as pure oxides, or after conversion, as metal alloys.

The DP itself remains construction ready, with the mineral deposit and surrounding land wholly owned; all State and Federal approvals in place; an established flowsheet and a solid business case. Furthermore, amid China's increased restrictions on production and environmental compliance issues aimed at minimising environmental pollution, REE prices are undergoing some dramatic changes.

The crackdown by Chinese authorities is understood to be targeting all chemical industries, including rare earths, in order to tackle air pollution and the long term damage affecting waterways and soil degradation, and has resulted in REE prices hitting record highs. The sought-after magnetic materials, Neodymium and Praseodymium, have hit their highest value in two years, and Zirconium Oxychloride (the key indicator of the zirconium chemical industry) prices increased by 40% since the end of last year, resulting in the highest prices for 4-5 years.

It's not often that you come across a junior with a decent cash flow situation, and very rare indeed to find one so strong. The company's gold sales have enabled them to remain safely on the right side of the rare-earth market, and the

case for REE supply outside of China has never been better. Alkane have one of the world's largest in-ground resources of zirconium, hafnium, niobium, yttrium and rare earth elements; so large, in fact, it is expected to process 1,000,000 tonnes of ore each year over a period of 70 years or more, the first 20 of which are already fully permitted. I'll say it one more time; this is going to be one hell of a year for Alkane Resources.