



## Alkane completes Dubbo zirconia sales agreements

15 August 2011

### Customers committed to 100% of Australian project's capacity; rare earths to follow

Australia's Alkane Resources has agreed to sell all of the zirconia from its project near Dubbo, New South Wales, and plans to complete agreements for the associated niobium in the next two weeks and rare earths in the next two months.

Alkane said it has signed a memorandum of understanding (MOU) with an unnamed European manufacturing and trading company to sell 25% of the zirconia products from its Dubbo Zirconia Project (DZP).

This follows [similar agreements](#) to use 25% of the zirconia to produce zirconium oxychloride (ZOC) in a joint venture with Mintech Chemicals and to supply the remaining half of the zirconia to another unnamed chemical company.

"These agreements are nothing more than a framework put in place to form a joint venture to sell the zirconia... there are still nitty gritty details to sort out," Alkane managing director Ian Chalmers told **IM**.

"But we are confident that they will progress to joint ventures."

DZP will produce 15,000 tpa of zirconia, which will contribute roughly 30% of the revenues for the project.

Alkane is in advanced negotiations to finalise agreements for the sale of the 3,500 tpa of niobium products from DZP and Chalmers hopes to sign an MOU for these in the next fortnight.

The company plans to sell either niobium pentoxide or ferro-niobium depending on which the offtake partners prefer. Niobium is expected to account for around 25% of the revenues for the project.

### Rare earths

Chalmers is also negotiating offtake agreements for the 3,500 tpa of light and 1,000 tpa of heavy rare earths from the project, which will contribute around 45% of the revenues.

"Rare earths are more complex because they involve a number of parties. We are trying to execute a joint venture with companies with existing rare earth separation facilities, where they take the rare earths they need for their internal demand and we market the rest," Chalmers said.

The huge increase in the price for rare earths and zirconia has led Alkane to focus much more strongly on its DZP operations rather than the gold projects in its portfolio, but Chalmers is not expecting rare earth prices to remain as high as they are now.

"I've no doubt that [Lynas' Mount Weld project](#) and [Molycorp's project](#) will bring the hugely elevated spot prices back to reality, but Chinese costs are going up and will put a floor price under the rare earths that we will be happy with," he said.

He expects that when the "two big projects" come on stream light rare earth prices come back to where they were in the fourth quarter of last year, while the heavy rare earth prices will be less affected because neither Lynas nor Molycorp have too much at the heavy end of the spectrum.

In structuring the sales MOUs Alkane has tried to secure floor prices for its commodities to allow it to more easily secure debt financing for the project, which is due to ramp up to full scale production by the end of 2014. It is also seeking some funding from its offtake partners direct.

The company plans to complete the feasibility study into DZP in the next couple of weeks.

While Chalmers expects rare earth prices to fall, he cannot see where the long term supply for zirconia is going to come from to reverse the tripling of prices for the material in the past year.

"Pressure is going to stay on zirconia prices for at least the next five to ten years," he said.

The discipline of the dominant niobium producer, CBMM in Brazil, is likely to keep prices stable and profitable at around \$40/kg, he added.

DZP will produce around 1m. tpa of ore and the zirconia MOUs represent 25-33% of the estimated annual revenues of the plant of \$400-450m.



Alkane has agreed three separate sales deals for its zirconia capacity