

New US Defence Law Bans Magnets from China, Creates New Demand Potential for Alkane

written by Raj Shah | August 16, 2018

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- 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.*