

1st May 2007

Specialty Metals Review

OPPORTUNITIES FROM THE FAR SIDE OF THE PERIODIC TABLE

Companies		
Admiralty Resources	ADY	Lithium, Iron
Alkane Exploration	ALK	Rare Earths, Yttrium, Tantalum, Niobium
Arafura Resources	ARU	Rare Earths, Uranium
Auzex Resources	AZX	Bismuth, Tungsten
Azure Metals	AZS	Molybdenum
Catalyst Metals	CYL	Molybdenum
Galaxy Resources	GXY	Lithium, Tantalum, Rare Earths
Globe Uranium	GBE	Rare Earths, Uranium
King Island Scheelite	KIS	Tungsten
Lynas Corporation	LYC	Rare Earths
Moly Mines	MOL	Molybdenum

Specialty Metals are rare, unusual and poorly followed but utterly vital additives in alloying and industrial processes and are also geological oddities found in strange, rare rocks. This category may also include the Rare Earth Metals (also known as rare earth oxides) and several other metals, depending on who you ask, but in any case are separate from the base metals, precious metals and iron-sector metals such as vanadium, manganese, chrome and titanium.

Here we provide a brief and simple coverage of several companies with a spread of odd metals in strange places...and with considerable potential to turn fabulous profits from small and not-so-small mining operations.

Markets in most of these commodities are poorly understood and controlled by a very few clearing houses and processing facilities, which limits business opportunities and makes pricing and production forecasting information particularly opaque. Similarly, China has traditionally dominated processing, mining, supply and consumption of most of these metals and minerals due to geological suitability, historic low labor costs and admittedly poor environmental controls.

This has changed dramatically in the past two years, with Chinese domestic demand outstripping domestic supply in most metals and products, causing export tariffs to appear on a range of commodities and notably Rare Earths and bismuth. With little exports and higher prices for what is released to the world, prices have soared – Rare Earths adding 50% in price and bismuth doubling in the past 6 months.

A second factor to spur interest in these metals is that they provide access to the so-called New Economy and New Technology boom, which is driving demand for Rare Earths and specialty alloys used in high-tech aerospace and electronic products. Notably, consumer electronics and lifestyle products are dependent on a lot of these specialty metals, and with world gizmo consumption ratcheting up, so too is consumption.

Finally, lithium is gaining significance because it provides the lightest and strongest batteries for mobile phones, and potentially for hybrid or electric cars, and a new wave of these applications appears ready to break.

Commodities		
	Uses	Market Factors
Tantalum	Semiconductors	Tight supply, demand growth
Lithium	Batteries Ceramics	20kt shortfall 2007
Bismuth	Aerospace tech Alloy additive	Tight supply, demand growth
Tungsten	Tool steel and alloys	Supply fears and demand
Molybdenum	Steel alloys, lubricant	Demand grows in China
Rare Earths	Lighting, LCD and tech-metals	Demand soars No new mines
Scandium	Aluminium alloys	Small demand
Indium	Alloys, tech-metals uses	Zinc by-product



Admiralty Resources Ltd (ADY) - Strong Buy

Price: \$0.23
12 Month Target: \$0.85

Investment Data:

Share Price \$0.23
Ord Shares 630m
Options 105.8m

Market Capitalisation \$173m

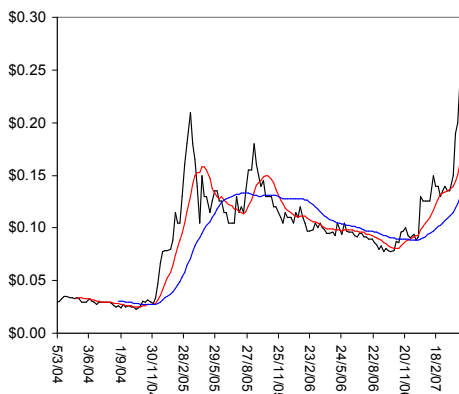
Net Cash (May 2007) \$13.7m
52 week Low/High 25.5c / 7.4c

Directors:

Prof J. Ross Harper Chairman
Phillip Thomas Managing Director
Anthony Blumberg Non-Exec Director
John Anderson Non-Exec Director
Stephen Prior Company Secretary

Project Overview

- Admiralty is primarily a lithium producer as of next year with forecast 20,000t of lithium brine production from the **Rincon Salar** alkaline salt lake in Argentina coming on stream in late 2007, with mine infrastructure under construction this quarter. Evaporation pond construction will allow pumping from the bore field, the brine then to evaporate to a salt concentrate, processed into specialty compounds including, lithium salts, soda ash and potassium chloride.
- Lithium production from alkaline brines is, according to guidance from the company, likely to continue for a decade or more, with production rate most affected by environmental factors acting upon evaporation. Further production from Rincon Salar is certain geologically, though the rate is controlled by climate, for which predictions beyond a decade are sketchy.
- A forward sales agreement on lithium salts, at US\$24,000/t has been placed for specialty specifications over a 2,000tpa portion of production. The remainder will be sold into the open market. The 10% of production forward sold at the higher price is a US\$48M revenue stream, with the remaining 90% of production of ~18,000tpa providing a US\$100M revenue stream at US\$5,500/t.
- Admiralty Resources has 49% of the Santa Barbara iron ore project in Chile. Admiralty and its partner have begun shipping the first shipments of a 940,000t contract to Wuhan Iron and Steel Company, China, worth around US\$65 million to the joint venture, or A\$40 million to Admiralty. Rates for FY08 are projected to be 1.8Mtpa.
- A recent off take agreement for 1.2 million tons per annum of a 50 million ton stockpile underpins growth from the current 1.8Mtpa to a potential 5Mtpa of iron ore sales. Lack of forward contracts is not seen as a significant risk in light of high demand from China. Further non-stockpile ore resources of 33.6Mt @ 23.5% magnetite iron exist within the JV, which can be extracted to produce high-iron low-phosphorus magnetite concentrate.



Opinion

This financial year Admiralty is set to generate around A\$24M in iron ore revenue via shipment of ~240,000 tonnes of ore, with profit margins of A\$45 per tonne of iron ore. This represents around A\$10M in profits for FY07 on 4 months production, valuing Admiralty at a PER of 9.1x on the current share price.

Our prediction for FY08 iron ore sales should see production at the 1.85Mtpa rate generate A\$83M in profits to give a forecast EPS of 9c per share. Early 2008, assuming lithium production ramps up as planned, FY08 should see 6 months of lithium production come through, an A\$80M-plus revenue stream. With a predicted 75% profit margin this represents \$65M profit or 6c per share earnings. Taking this into account, on current share prices, FY08 earnings is 15c per share and a forecast PER of 1.6x on a 25c share price.

With current earnings growth in this and next quarter, and growing revenue streams in the next 6 to 12 months we see Admiralty as a strong growth stock. Our recommendation is a strong speculative buy with a target of \$1.20.



Auzex Resources Limited (AZX) - Hold	Price:	\$1.70
	12 Month Target:	\$2.50

Investment Data:

Share Price	\$1.70
Ord Shares	18.2m
Restricted Shares	9.1m
Market Capitalisation	\$53.3m

Net Cash (April 2007)	\$5.56m
52 week Low/High	\$2.20 / \$1.10

Directors:

John Lawton	Chairman
Dr Greg Partington	Managing Director
Chris Baker	Director
Paul Fredericks	Company Secretary

Project Overview

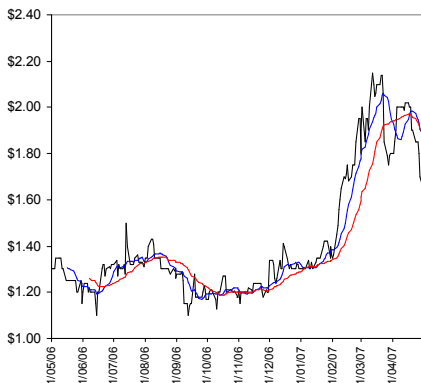
Auzex Resources is a Brisbane-based explorer working on a range of projects in the granite belt of New South Wales and New Zealand. The company is exploring for molybdenum (Mo), bismuth (Bi) and tungsten (W).

The **Kingsgate molybdenum-bismuth Project (AZX 100%)** in New South Wales is the most interesting, not only because it is high grade and advancing toward feasibility stage, but because it contains the little-known metal bismuth. Bismuth prices have doubled in six months as Chinese environmental regulators have shut down smelters and mines and a tariff has been imposed on bismuth exports. Supply deficits are likely to continue for some time with little new mining likely to come on-stream quickly – some predictions including no new supply till 2009.

The economics of the project as still unrefined, with no real knowledge of the contained tonnage as exploration is still incomplete. Geophysical surveys appear capable of detecting the mineralization, so this is being pursued, as are nearby soil anomalies potentially representing repeats of the mineralized pipes.

Trial mining has confirmed grades of up to 0.3% Mo and 0.56% Bi with minor silver. The intention is to define 0.75 to 1.5 million tonnes of high grade Mo-Bi mineralization for a three to five year operation at 250,000 tonnes per annum. Such a target, even with high cost production, could be a hugely profitable operation – on current metal prices the ore is worth in excess of A\$500 per tonne.

In New Zealand, Auzex is investigating the **Kiwans Tungsten Project (AZX diluting to 50%)**, where two mineralized systems have remained unexplored since the early 1980's. Here, one 300x600m stockwork of 0.12% tungsten and another 500 x 1100m zone of up to 0.1% tungsten need further field work and drilling but the grade and size are both there to be defined.



The **Lyndbrook Project (AZX 100%)** in far north Queensland returned high-grade Mo-W mineralization from an initial drilling programme of up to 4m @ 0.56% W from 6m, and 14m @ 0.15% Mo from 15m in separate holes, with minor gold credits, which suggests there is high grade to be won.

The company's **Seven Hills Gold Project (AZX 100%)**, NSW, has been drilled for the first time this March, returning 11m @ 1.23g/t Au, 8m @ 2.68g/t Au from very widely spaced holes. Again, while preliminary, the grade is there to define a moderate resource of gold with work and we remain positive.

Opinion

Auzex clearly has a suite of highly encouraging projects, including additional tungsten and molybdenum projects to those above, and a strong share price underwrites a tight share register. With strong molybdenum, tungsten and bismuth prices likely to remain buoyant for the next year or more, the economics of these deposits can be quite impressive once subjected to the usual feasibility processes. We will look forward to additional exploration on all projects, underwritten by a recent \$4.3m placement, as well as a scoping study and further drilling on the Kingsgate Project, and can reasonably expect good news.



Azure Minerals Limited (AZS) – Speculative Hold	Price:	\$0.08
	12 Month Target:	\$0.15

Investment Data:

Share Price	\$0.086
Ord Shares	112.3m
Unlisted options	12m
Market Capitalisation	\$10.6m

Project Overview

Azure Minerals is a junior base metals company exploring for copper, silver-lead-zinc and molybdenum in Mexico. Azure Minerals has 14 exploration projects in the Mexican state of Sonora which are prospective for epithermal copper-gold, porphyry style copper, molybdenum and associated high grade silver-lead-zinc deposits for which Mexico is renowned.

Net Cash (April 2007)	\$1.82m
52 week Low/High	15c / 8.2c

Drilling of six holes into the **Pozo de Nacho** copper-molybdenum prospect returned very high interval grades (1m @ 0.75% MoS₂) as well as significant widths of high grade molybdenum mineralisation, exemplified by hole PDN-RC-02A with 198.1m @ 0.06% Mo. All holes drilled into the prospect thus far have intersected copper, molybdenum or tungsten mineralisation and a geophysical anomaly interpreted to represent a sulphide-bearing granite porphyry remains untested as yet.

Directors:

Campbell Ansell	Chairman
Tony Rovira	Managing Director
Mr John Saleeba	Director
Brett Dickson	Company Secretary

Drilling of the Potreritos prospect has returned 26m @ 0.55% Cu and 4.4g/t Ag from hole POT-DD-001, and 28.5m @ 0.45% Cu and 6.3g/t Ag from hole POT-DD-002. This mineralisation appears to be associated with the breccia pipe model Azure has targeted and is probably of economic grades, however it is unclear yet whether the company will follow this up with the aim of defining a resource.

19% lead.

Drilling has moved on to the high grade lead-silver occurrences at Jaguey, where we'd expect results similar to the previous 0.2m @ 3,180 g/t Ag and

Opinion

Azure has released the first results from its 2007 drilling campaign, with broad moderate grade copper intersected, though they have minimal impact on the fundamentals of the molybdenum picture. Pozo de Nacho is, according to the company, to be drilled this half of the year though results aren't going to be in the hand very quickly on current performance.

The opportunity of a large porphyry moly deposit at Pozo de Nacho is quite good. You don't often get a ~200m intercept of potentially economic molybdenum mineralization without a sizeable body of the stuff nearby. However, there is always the risk that a hole has been drilled down the only good bit which could ever be found. This seems unlikely. The key is time, and patience.

For comparison, we refer to similar projects owned by other junior explorers looking for molybdenum porphyries such as D'Aguilar Resources' Anduramba project, S.E. Queensland. D'Aguilar has seen a significant amount of traction with their Anduramba moly resource which is a small 18 million tonnes at 0.088% Mo. Pozo de Nacho, containing 196m at 0.06% is quite capable of converting to something of the size range of Anduramba which is a A\$150 million asset within ten to twenty drill holes. This could take as little as 10 months, so we would not totally write off Azure's prospects yet.

Indeed, we can imagine a scenario where you have a dozen such holes, and you start thinking in words and ideas which sound like "Molymines" and "Spinifex Ridge" and so on. It is a lot of blue sky, a lot of Azure indeed...but patience is a virtue not given to all. For those with enough patience, the current share price is of no concern, because the idea still holds. If you lack the patience and want the thrill, investing in Molymines itself lets you have your cake and eat it, though it has mostly been eaten already.



Catalyst Metals Limited (CYL) - Neutral	Price:	\$0.25
	12 Month Target:	\$0.35

Investment Data:

Share Price	\$0.26
Ord Shares	16.8m
Restricted Shares	14m
Market Capitalisation	\$7.7m

Net Cash (April 2007)	\$1m
52 week Low/High	34c / 19c

Directors:

Howard Dawson	Chairman
Mark Thompson	Executive Director
Jim Malone	Non-Executive Director
Bryan Dixon	Company Secretary

Project Overview

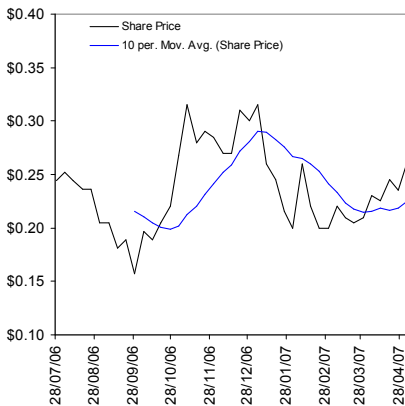
Catalyst Metals listed on the ASX on the 26th of July 2006, amid strong interest in uranium stocks. It did not take too long for the company to begin exploration, with channel sampling of the known molybdenum mineralisation at Minnie Springs, in the Gascoyne of Western Australia generating 5 to 30m at up to 0.12% Mo.

Rock chip sampling of altered granite outcrop returned further high grade results of up to 0.53% Mo in gossanous outcrops. This is typical of most grab sampling programs, where the juicy bits tend to fall into sampling bags. We would expect such results from veins within a larger lower grade halo, so it is worth taking such spectacular sweeteners with a grain of salt.

Drilling was completed in March, with the assays returning best intersections of 52m @ 0.07% Mo (MRC010) and 52m @ 0.05% Mo (MRC013). These holes were arrayed along a zone about 600m in strike length, which shows soil geochemistry anomalism open along strike. In our estimation, these results are significant because they are of potentially economic grades (with reference to contained metal values and grades of operating mines elsewhere in the world), are within a coherent zone, and show consistency of thickness and grade.

With a bit of work, a couple of million tons at 0.05% Mo could come into an inferred resource. However, despite the initial molybdenum results being encouraging, the isolation of the area and the total lack of infrastructure beyond a dirt road, is a cautionary note. Catalyst has strong in-ground value but exploration costs and logistical hurdles will slow them up in their resource definition efforts, and capital costs for any mine will be a little higher than could be expected in the equally prospective granite belts of New South Wales and Queensland.

Catalyst's territory, being in the Gascoyne, is clearly in the guts of uranium country and is neck deep in glowing airborne radiometrics, hot granites and dazzling soil samples. We do like the geology of the area for uranium, including hard-rock pegmatite hosted uranium deposits, so we do not want to be overly pessimistic on the likelihood of Catalyst returning a uranium resource in good time. However, yet again this is a speculative retirement plan this side of the Western Australian government allowing mining.



Opinion

Catalyst Metals has a good strategic landholding in a very under-explored part of the West Australian outback. The Minnie Creek Batholith and equivalents are exceptionally hot rocks, both in terms of uranium prospectivity and for their granite-related mineralization potential for everything from molybdenum to copper-gold and lead.

However, a long road lies ahead before resources of any respectable size are defined and thus we caution that recent results must be taken in this context, so big dividends are a long way off. The uranium factor could also confuse a valuation of the stock in the short term if undue interest is paid to uranium exploration results which themselves must also be taken with a grain of political salt. We do like Catalyst, but prefer to await the results of their in-house scoping study and a few more drill holes to gain more of a handle on the direction of the Minne Creek mineralization and what it means to investors.



**Galaxy Resources Ltd. (GXY) –
Strong Speculative Buy**

Price: \$0.70
12 Month Target: \$1.50

Investment Data:

Share Price \$0.70
Ord Shares 35.6m
Restricted securities 17m
Market Capitalisation \$34.5m

Net Cash (April 2007) \$2.3m
52 week Low/High 95c / 18.5c

Directors:

Craid Leslie Chairman
Readhead
Michael Fotios Managing Director
Robert Wanless Director
Lindsay Colless Company Secretary

Project Overview

Galaxy's flagship value driver is the Mt Cattlin pegmatite project where the company is on track to define its maiden JORC resource by mid-year, following an initial 5,000m infill and resource confirmatory drilling campaign in March and April 2007.

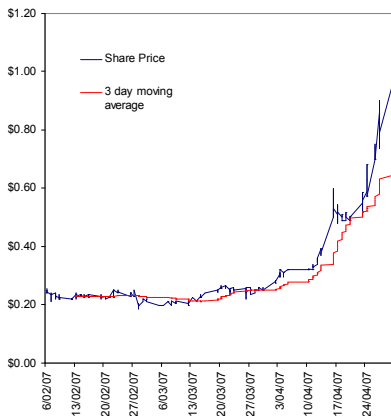
The Mt Cattlin pegmatite has been recognised as a significant mineralised pegmatite occurrence for around fifty years but exploitation has been stalled by fractured tenure. However, the recent Sons of Gwalia disruptions saw the tenements and the pegmatite spun out into the control of Galaxy.

Galaxy's recent drilling, first results announced 16th and 30th April, confirmed the extent of the pegmatite was larger than the historical extents, in line with the company's expectations. The major surprise is an upgrading of the spodumene content from historic values of 14% to something approaching 20%, although this is as yet an estimate as resource calculations are yet to be completed. Tantalum grades are comparable with the historic assay results, though probably somewhat lower at about 250ppm Ta.

Based on historic metallurgical and assay data, our internal appraisal of the metallurgy and grade model (with reasonable and conservative assumptions) is that a combined 250ppm tantalum and 20% spodumene ore feed at 70% recovery will be economic at the 4:1 strip ratios envisaged for the project.

The company has completed 132 RC drillholes, of which 88 have been announced to date and the remainder are awaiting results from the laboratory. On current performance, the spodumene grades should continue to hold up at 20%. The drilling results will feed into a scoping study, an updated and in many ways initial resource estimation, and then full feasibility study. The company's hypothesis of a 20 million tonne orebody at the area seems valid on these results.

Galaxy is continuing with its initial drilling campaign, and has several other projects including the Ponton Rare Earths prospect which has a 100,000t @ 12.2% REE inferred resource in a setting potentially similar to the Mount Weld carbonatite intrusion, held by Lynas Corp, which is dealt with later.



Opinion

We have derived several economic models ourselves, and used what little can be known of the lithium market in spodumene with prices from anywhere from US\$250 per tonne to US\$550 per tonne estimated, and used a reasonable US\$80,000 per tonne for tantalite (tantalum pentoxide). We evaluated three hypothetical case studies, depending on the size of resources of 10, 15 and 20 million tonnes, with a 10 year mine life minimum. Project net present values (NPV) ranged from A\$180M for a 1.0 Mtpa operation selling at a \$250/t spodumene price to A\$500M for a 2.0 Mtpa plant at a \$450/t spodumene price. The resultant share price targets based on NPV range from \$1.49 to \$11.10 at the best-case highest-price highest throughput estimations.

We therefore, based on the least favourable outcome of a 10Mt resource and lowest spodumene price, rate Galaxy as a buy with a 12 month target of \$1.50. With information from resource announcements, the target can be raised to \$2.38 for a 15Mt resource and \$3.20 for a 20Mt or greater resource. Similarly, guidance on sales price ranges and further forward sales fixtures will give us the confidence to move from these lower US\$250/t spodumene sales prices to higher values. We therefore rate Galaxy as a strong, but speculative, buy given the certainty of greater than historical resources, continued drilling success and favourable commodities prices.



King Island Scheelite Limited (KIS) - Hold	Price:	\$1.00
	12 Month Target:	\$1.20

Investment Data:

Share Price	\$1.00
Ord Shares	40m
Restricted shares	16m

Market Capitalisation \$56m

Net Cash (April 2007)	~\$4.8m
52 week Low/High	\$1.40 / 84c

Directors:

Anthony Haggarty	Non-Executive Chairman
Robin Morritt	Non-Executive Director
Andrew Plummer	Non-Executive Director
Raymond Soper	Non-Executive Director Company Secretary

Project Overview

King Island Scheelite, with the deposit of the same name, is a pre-production tungsten company with 13.7 million tonnes of high grade 0.64% WO₃ (tungsten) mineralisation which, as outlined in the October 2006 feasibility study, is to be mined in a two stage open cast mining operation.

The King Island mine was for decades, and in many ways still is, one of the richest tungsten deposits and most lucrative tungsten mines in the world. With annual output of between 100,000 and 300,000 mtu of tungsten, currently selling in excess of \$200 per mtu (10kg), depending on the grade distribution of the deposit, profitability is likely to be variable but will average out to around \$65 to \$75 total cash costs per mtu produced. This then equates to around \$30 million per annum in profit after costs.

Debt servicing and capital expenditure will, on our estimation, suck out the majority of the profit for the first three to five years, mainly as a \$15 million big ticket item is a cut-back on the open cut to access ore. The strip ratio is high, at 8 to 1, hence why there will be a lot of digging before the mill turns over. However, beyond that, in-pit exploration can firm up the bulk of the 13 million tonne resource and extend mine life substantially.

King Island Scheelite signed a non-binding Letter Of Intent with Hunan Nonferrous Metals Group in March 2007. The Hunan deal, so far as is known at this preliminary stage of the relationship, is for off-take rights and price support (ie; agreed price similar to a hedge) over 50% of production, for consideration of cash financing support. This is typical of most Hunan transactions.

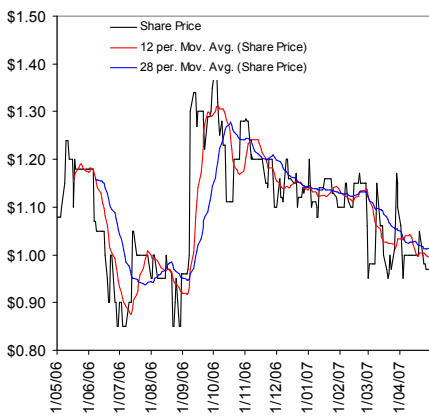
Hunan has essentially underwritten several projects within Australia in the past year, notable Compass Resources NL's Browns Reef sulphide and various specialty and base metals projects. There is thus no reason to expect that King Island scheelite and Hunan cannot come to terms for some kind of cash for equity and off-take agreement for which Chinese smelting houses are so fond, gaining themselves equity and profit sharing, plus supply certainty and strategic kudos.

Recent withdrawal by Hunan from another similar joint venture does create a little concern, as Hunan has stated it expects 25% internal rate of return for its investments. Our estimation is that King Island Scheelite would return 35% IRR if the feasibility study assumptions hold up during mining.

Therefore, withdrawal risk remains very low.

Opinion

Financially, King Island Scheelite is a longer term proposition. However, assuming full debt finance, a 3 year pay-back and the currently tightly controlled share register, earnings per share are estimated at 28c, justifying a share price of \$2.80 or so on a PER of 8. When the company becomes debt free depends on debt levels and friendly terms or equity placements to Hunan Nonferrous Metals Group, which is their usual modus operandi, so we have to await further instructions from the company. With a very solid chance of 300% upside, but over 3 to 4 years, it rates King Island Scheelite a solid hold. If debt can be minimized and payoff happens before 2011, KIS rates a long term buy.





Lynas Corporation Limited (LYC) – Long Term Buy	Price: \$1.00 12 Month Target: \$1.50
--	--

Investment Data:
 Share Price \$1.00
 Ord Shares 405m
 Other securities 44m

Market Capitalisation (diluted) \$445m

Net Cash (April 2007) \$65m
 52 week Low/High \$1.15 / 24c

Directors:

Nicholas Curtis Chairman
 David Davidson Director
 Jacob Klein Director
 Ivo Polovineo Company Secretary

Project Overview

Lynas Corporation is engaged in developing the Mount Weld (LYC 100%) Rare Earth Oxide (REO) deposit near Laverton, W.A., where it has recently been granted a mining lease and engaged a mining contractor to begin the pre-strip of overburden.

Mount Weld is the only major source of commercially viable rare earth oxides outside of China entering production, excluding Alkane Exploration’s Dubbo Zirconia Project and Arafura Resources’ Nolans Bore REO-phosphate-uranium deposit, both of which suffer from awkward uranium “credits” or penalties, depending which way you look at it.

Mount Weld is 7.7 million tonnes grading 11.9% REE. With 50 metres of overburden sitting above it and a complex Rare Earth Oxide clay mineralogy which has provided hurdles in beneficiation. This has provided disincentives to extraction for over 40 years since it was first discovered, but modern technology and increased prices as well as strong forecast demand propelled renewed investment in the resource. With REE prices increasing 60% in 6 months, the mine appears to be coming into production at exactly the right time, hence the recent run-up in share prices.

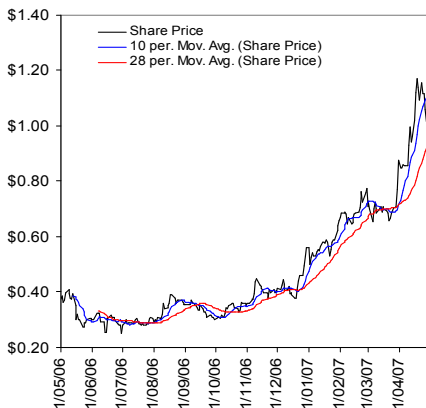
In terms of whether this is justified, certainly the market forces are there to soak up Mount Weld’s supplies even at an expanded 20,000 tonnes REO per annum. Rare earths are used in lighting, LCD screens, catalysts, electronics and technology applications including supermagnets. All of these tech metal uses are increasing in the midst of a consumer electronics boom and especially from Chinese affluence. At the same time, the world’s prime producer, Bayan Obo in China, is unable to ramp up production.

Opinion

Lynas’ award of a mining permit and moves to pre-strip the pit coincided with Chinese tariffs on REE exports. A decision to refine the ore in Malaysia with a tax honeymoon applied to the expensive little processing plant Lynas is erecting there, and finally a decision by Australia and the EU to mandate compact fluorescent lights to replace the traditional tungsten filament incandescent globes – a major shot of REE phosphor consumption. This synergy of various factors is a potent brew of factors which have cooked the price up – but is it justified? Certainly.

Based on published feasibility, metallurgy and refining information we can see Lynas Corporation trading up at \$2.90 or more by 2011, sustained by a forecast A\$150M after tax profit, plus or minus. This is on the current A\$9.30 REO price for the particular composition of Mount Weld ore. We’ve guesstimated a few price, supply and demand charts for the various elements and reckon the REE price will top \$10 a kilogram within the year, which would turn our price target to \$3.20 on a PER of 8. With 40 years mine life ahead of Lynas, you could pay a PER of 12 to 15.

Recent share price weakness could represent a fairly good opportunity to buy cheaply.





Alkane Exploration NL (ALK) – Accumulate	Price:	\$0.34
	12 Month Target:	\$0.35

Investment Data:

Share Price	\$0.34
Ord Shares	200.5m
Unlisted options	4.5m

Market Capitalisation **\$65m**

Net Cash (April 2007) \$4m
52 week Low/High 34c / 13c

Directors:

John S.F. Dunlop	Chairman
D. Ian Chalmers	Director
Ian Cornelius	Non Executive Director
Lindsay Colless	Company Secretary

Project Overview

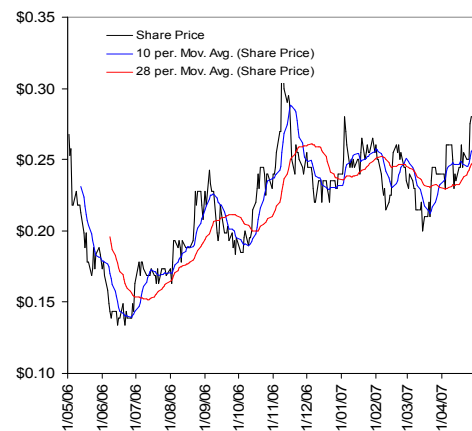
Alkane Exploration previously mined the Peak Hill (NSW) gold deposit in the mid to late 1990's, a very profitable low-grade heap leach operation. Exploration leading out from the Peak Hill area found the 630,000 ounce Wyoming gold deposit, in what is now known as the Tomingley Project. Feasibility has been ongoing for years, but we have juicier if less well known goodies to shop through in the Alkane bargain bin.

Here we are talking about the Dubbo Zirconia Project, otherwise known by its snappy acronym, DZP. The DZP is an unqualified huge deposit of **73.2Mt @ 1.96% ZrO₂, 0.04% HfO₂, 4,600ppm Nb₂O₅, 300ppm Ta₂O₅, 0.14% Y₂O₃ and 0.75% Rare Earth Oxides**, with some annoying uranium thrown in to make sure no one can mine it easily. The issue with the uranium is purely political, with uranium mining prohibited in New South Wales, so Alkane is quite happy to extract the uranium and store it safely in a big tank, not least of which because it actually interferes with the ore recovery process, chemically as well as politically.

In terms of the alphabet soup of elements in the deposit, zirconium (Zr) t be produced as a zirconium oxide chemical for use in fuel cells and zirconium metal is used for nuclear reactor cladding; hafnium (Hf, US\$300 per kg) is used in semiconductors and nuclear power applications; niobium (Nb, US\$25 per kg) is an alloying additive in aerospace and electrical components; tantalum (Ta, US\$80 per kg) is used in resistors and capacitors and in electronics; Yttrium (Y, \$60 per kg) is used in ceramics and some industrial applications, and Rare Earth Oxides (generally at \$8 per kilogram) used in a variety of tech sector applications. The total value per tonne, therefore, is quite high although Alkane expects processing costs will be equally high.

Opinion

Alkane Exploration is still primarily trading upon the fortunes of its gold project at Wyoming. The value of the Dubbo Zirconia Project is quite large; a half million tonne operation could generate \$100M revenue per annum. This could be a 30c per share earnings, and with a 160 year mine life ahead of it we could foresee a large price to earnings ratio of 8, for a target price of \$2.60 per share.



Commissioning risk is still moderate, with metallurgical test work with ANSTO completed. A demonstration plant is being commissioned to produce small commercial sample volumes of products to be sent to customers for evaluation. For all of the products the DZP operation can produce, sales agreements and off-take agreements must be negotiated individually, meaning that current price estimates on sales are not locked in and final revenue estimates will rely heavily upon this. This is true of the Rare Earth Oxide production, where refining charges of up to US\$4 per kilogram can be reasonably expected.

Likewise, the presence of uranium as a contaminant within the ore provides some political hurdles to cross because extraction of uranium is banned in NSW. Politically, we have to gauge the government's position on the sell or store option and the decision will likely come down to public opinion. With a meagre 65 tonnes of uranium likely to be produced each year it is an insignificant quantity by economic terms, but as a trigger for emotional responses and political principles, it could be quite significant. We rate Alkane a speculative buy, with the Tomingley Project a possible value driver, and a total lack of any value for the DZP factored into the share price by the market.



Molymines NL (MOL) – Long Term Buy	Price:	\$4.70
	12 Month Target:	\$8.00

Investment Data:

Share Price	\$4.70
Ord Shares	59.3m
Unlisted options	20m

Market Capitalisation \$390m

Net Cash (April 2007)	\$26m
52 week Low/High	\$5.20 / \$1.04

Directors:

Paul Willis	Chairman
Derek Fisher	CEO/ Managing Director
Peter Thomas	Director
David W. Constable	Company Secretary

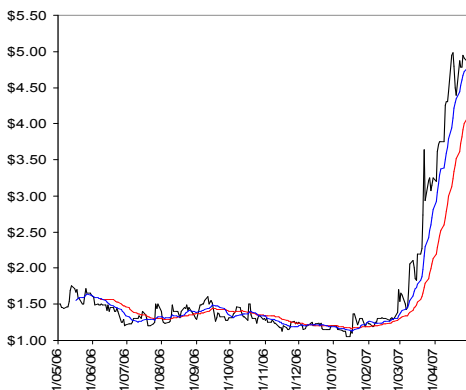
Project Overview

Molymines has shot into the notice of investors on the back of some spectacular share price rises in recent months associated with the finalisation of feasibility studies and granting mining leases over the giant Spinifex Ridge copper-molybdenum (Cu-Mo) porphyry deposit in the Pilbara of Western Australia.

With an in-ground resource of 440 million tonnes at 0.06% Mo and 0.09% Cu, for a contained 590 million pounds of Mo and 886 million pounds of copper, the numbers involved become truly staggering. Equally large is the capital expenditures to get the project running - \$650 million – and the valuation we derive for the stock, when it is in production and all of these loans are paid off, is equally large. Set aside a day in your calendar for 2012.

For instance, it will take two years of construction to build the mine, which involves the unusual step of digging a tunnel through a large ridge spur to drive haul trucks from the pit to the processing plant on the other side. There is a considerable pre-strip involved, and mountains to be moved, literally. This will take 2 to 3 years. But then, finally, the mine starts processing ore, and paying off the debts. Here, the fundamentals suggest revenues approaching \$600M per year with, \$380M of EBITDA and around \$250M of nett profit on year one, rising to a life-of-mine \$300M per annum.

Finally, the capital is paid off after year 4 or 5, and the \$300M per annum weighs in to the share register at \$4 per share EPS, if we assume the current share register remains undiluted. Dilution is probably likely given the size of the debt facing the operation, so we have assumed the company will raise around \$150M by selling shares at \$4.50 or thereabouts, and dilute the earnings to \$3 a share. With a 20+ year mine life, we can pay a PER of 8 or 10, for a final share price target of around \$28 to \$34 per share, debt free. Not bad for a stock trading in the mid \$4 arena.



Opinion

Everything about the Spinifex Ridge deposit is large, including the lead time to debt-free earnings. Right now, we have to look forward to the company coming debt free somewhere in 2012 or 2013. This is a long time to wait for many, so we recommend the stock as a long term buy with this 5 year horizon in mind and a \$28 or \$32 a share price target at 2012.

Where will Molymines be in 12 months? Probably lumbered with engineering studies, astronomic but reasoned debt, mine planning reviews, and other boring things like this. We have seen, for instance, some other pre-producers hit this slack spot as production slowly comes around. Herald Resources, Vulcan Resources, the list goes on. So within the 12 month time frame we would predict modest gains to \$5 or \$7, \$12 at the outside, but Molymines has the Andrew Forrest factor involved, and we haven't yet seen one of his companies go down in share price over a long period, though that's hardly a reason to recommend it to anyone.

Thus, Molymines has gone beyond being a speculative stock and is very much on the radar as a long term hold.



Arafura Resources Limited (ARU) – Overpriced, Wait Price: \$1.76
12 Month Target: No Determination

Investment Data:	
Share Price	\$1.76
Ord Shares	120m
Unlisted options	15.4m

Market Capitalisation \$230m

Net Cash (April 2007) \$6m
52 week Low/High \$2.05 / 11c

Directors:

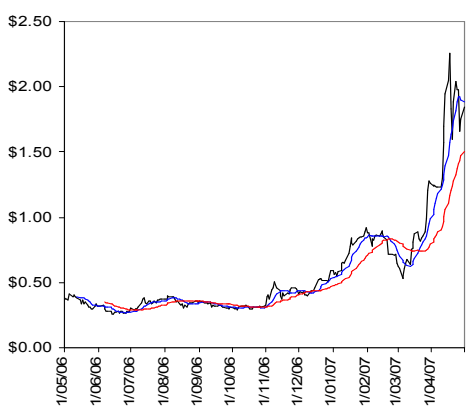
Peter Walker	Chairman
Alastair Stephens	Managing Director
Dennis O’Neil	Director
Gavin Lockyer	Company Secretary

Project Overview

Arafura has now, according to its MD Alastair Stephens, become a “specialty metals company”, as of 24th April 2007. This is on the back of its 100% owned Nolans Bore rare-earth phosphate and uranium deposit in the Northern Territory, Australia. Running to 18.6Mt @ 3.1% Rare Earth Oxides, 14% phosphorus, 0.47lb/t U₃O₈ and 0.36% thorium, the deposit is unquestionably huge. The majority of value is in the REO, as phosphorus is low-value, the uranium low grade and thorium is essentially unmarketable with virtually no major uses at present.

As with Alkane, Arafura Resources has regulatory issues with the uranium in its mineralisation. We are actually more likely to see the resource at Dubbo get mined before Nolans Bore, because uranium isn’t a critical or even economic factor.

If there was a Reality TV show called “Australia’s Next Uranium Mine”, Arafura would be the voluptuous girl in the tight gold dress, but we wonder what the judges would say about her singing. The judges have to look at more than the fact that a company has uranium and the world wants uranium. The technical, environmental and commercial risks of the project as well as managerial expertise and technical competence of the company will be as much of a factor in who gets to mine uranium, if not more.



Will this give Arafura a leg-up in the next round of voting? Definitely the Federal government ought to look more favourably on a uranium mine which would produce additional vital and valuable commodities, and so Arafura might get through to the second round of “Australia’s Next Uranium Mine”.

In terms of addressing technical risks, ANSTO is conducting metallurgy tests on the Nolans’ Bore ore. However, Alkane and Lynas’ experiences with metallurgy can guide us here. Alkane has been in testing and pilot plant scale proofing for five years, with ANSTO grants. Lynas’ Mount Weld ore was ‘refractory’ for decades. Only lengthy and expensive metallurgy and refining work cracked the code.

Secondly, sales. Arafura trumpets this increased demand and prices for rare earths as indicative of strength in the market. We do tend to agree. However, Lynas has ducked out of China, the major if not only refiner of REE *mischmetal* (see appendix) due to the marketing restrictions and built a 10,000 tonne per annum \$25M REO refinery in Malaysia. Arafura could thus hardly expect to get as good a deal on refining the REO in China as it says, or else has to stump up a few years and \$25M for its own refinery. Again, not as wonderful a picture as the raw numbers suggest.

Lynas has given a guidance for refining costs of US\$4 per kilogram of REO, which does not include costs incurred in mining the ore. Therefore, recoverable values from Nolans Bore must be slashed by over 50% – exclusive of tariffs. Arafura says that its’ 4200t of neodymium, trading at US\$30 per kilogram, can make them A\$160M per annum in revenue. True enough, but take off about \$17M per annum in refining costs, for a start.

Opinion

We have our doubts of a 2010 dig time for Nolans Bore. Arafura has run hard recently, and our best guesses reckon it is capitalised to at least 50% of its best possible share price once all of the above risk factors are sorted. Therefore, we don’t suggest buying into such a risk profile for such a price at this stage. We’d prefer to see entries at the dollar per share level, or some better guidance on addressing these issues before we suggest buying.



Globe Uranium (GBE) – Speculative Buy

Price: \$1.00
\$1.50

12 month target:

Investment Data:

Share Price	\$1.00
Ord Shares	23.5m
Restricted Shares	17m
Options	17m

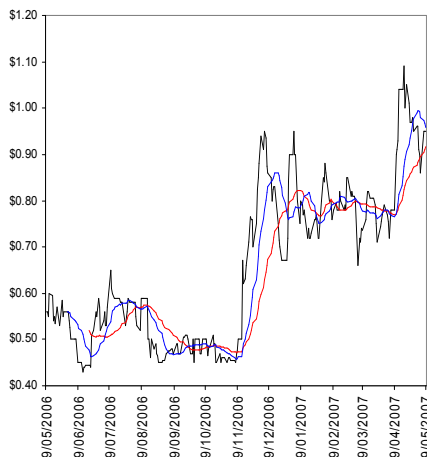
Market Capitalisation

\$41m

Net Cash (April 2007)	~\$2.7m
52 week Low/High	\$1.21/ 39.5c

Directors:

David Sumich	Chairman
Mark Sumich	Managing Director
Peter van Der Borgh	Non-Exec Director
George Lazarou	Company Secretary



Project Overview

Globe Uranium is a junior uranium explorer with tenements in South America and Africa. Of particular interest is the Malawian projects which include very sizeable areas running to 200ppm uranium in the soils, with 2,000ppm and upwards in rock chip samples – particularly high grade material.

Kanyika Project (GBE 100%)

Recent trenching announced this week has returned fantastic grades - ~200ppm uranium, from 5,000 to 55,000ppm niobium, plus ~500ppm tantalum and 1.5% to 5.5% zirconium, returned from a pegmatite zone extending no less than 3km along strike. In this case, Globe has triple the value of tantalum and niobium than uranium, so we can actually start looking at the Kanyika project as being a spicy uranium play with a foundation of specialty metals.

Recent results from these trenches include KATR005; 52m @ 212ppm U₃O₈, 265ppm Ta₂O₅, 7556ppm Nb₂O₅ and 1.76% ZrSiO₄. KATR002 22m @ 212ppm U₃O₈, 244ppm Ta₂O₅, 5547ppm Nb₂O₅ and 0.87% ZrSiO₄. Given uranium is in excess of US\$113/lb, and niobium is selling for US\$25 per kg, tantalum for US\$80 per kg, and Zr for \$8,000/t, this resolves to an in-situ value of **US\$321/t for KATR005**, and **US\$216/t for KATR002**. Clearly, being open cut extractable this is quite valuable dirt. Globe believes the trench widths of mineralization returned to date are true widths, the pegmatite bodies likely to be vertical. With widths of 18 to 30m+ over 3km in several discrete zones a target of 4 to 10 million tonnes looks reasonable.

Livingstonia Project (GBE 100%)

Globe Uranium's second project is directly along strike from Paladin's Kayekelera mine in the north of Malawi. Far from being simply nearology, the company has identified similar geological expressions of sedimentary strata and anomalous trenching results (**11m @ 226ppm U₃O₈**) indicating a robust target similar to the Kayekelera deposit.

Argentine Projects (GBE 100%)

Globe Uranium has an increased landholding in Argentina, where a 40km corridor of anomalous geochemistry and radiometrics is yet to be substantially investigated. The Argentinian projects are of lower priority this quarter with the successes generated recently in Malawi. However, the ground is along strike and of similar character to the Don Bosco deposit and Don Otto mine.

Opinion

We like the specialty metals side of this just as much as the uranium side. Even with reasonable uranium, it is clear that most of the potential value in Globe Uranium's Kanyika Project is contained in the 'specialty metals' of tantalum, niobium and zirconium. Globe is, however, focused on the uranium and sees the Kanyika discovery as "uranium with sweeteners" which is like having a cherry with the cake on top. If uranium ever gains a sour taste in the market, in a manner similar to Arafura Resources, Globe can reposition the project as a specialty metals play and retain market traction.

However, Globe is still an early-stage explorer and as such any investment is a longer-term appeal. We do not see as much longer term technical risk as that which is contained in the REO explorers and pre-producers such as Alkane and Arafura, because tantalum, niobium and zirconium extraction is less fraught with risk. We can still see a three to four year metallurgical and resource definition programme, even with a likely inferred resource this year.

We thus rate Globe a strong speculative buy, on increasing underlying value with exploration.



Analysis

The majority of the companies canvassed above have minuscule valuations attached to their Rare Earths and Specialty Metals projects aside from the fair-haired children of Lynas Corporation and Molymines NL, which have been covered quite well (and one of which has the Twiggy Effect working well for it).

This leads us to the major risk factor for investing in the Specialty Metals sector for Australian investors – recognition of the metals, their markets, the value, the ore bodies and the perception of the public and even of apparently expert analysts, is basically absent. Our analyst, being a geologist and a bit of a book worm, has a better than average grasp of the nature of this stuff, and is keen. The average punter is not familiar, has no appetite, doesn't see the price of tantalum advertised on the evening news, and has no idea about what is going on worldwide.

The future for specialty metals and rare earths looks bright; production constraints and recent Chinese environmental concerns are choking the supply side, and technology is forever increasing demand, especially for the potential explosion in ceramic solid-oxide fuel cells.

As to which company has the best chance and the best value in the non-moly stocks, it is simply down to metallurgy and uranium. Alkane Exploration has probably the most in-situ value but the biggest political hurdle to overcome, and will need a good run-up at the NSW people and government to get over the line as a de-facto "uranium producer". Arafura Resources, with an essentially similar deposit, has an easier regulatory time of it but we really need to point out that it is not going to be producing uranium as an unavoidable if unintended byproduct or waste stream. Given the Australian Labor Party's move to a 5 mine policy, one of which is almost certain to be a Paladin deposit, the competition to be that Fifth Mine is intense.

Of the three rare earth stocks, excluding Galaxy for the time being, two have yet to crack the metallurgical codes, and Alkane has a big start on this. Refining is another factor downplayed in the discussion of these valuable deposits, and it is a serious omission. We would prefer Alkane over Arafura for these reasons.

Auzex has a bit of a wild card with their bismuth, and again Australian investors are not particularly familiar with it except in the context of being a deleterious element in zinc and lead deposits.

Galaxy Resources has recently emerged as a serious competitor to Admiralty in the lithium market, though it is starting from a bit further back in the field. We think that Galaxy has some incredible potential, though caution that it is a longer-term play than Admiralty. However, it is probably good for both that they will not start selling material at exactly the same time and depress prices. Basically, Admiralty's supply will meet projected world demand growth in 2008, and we would expect Galaxy to slot right in behind in 2009 or 2010 to take up the projected demand shortfalls in those years. Perfect, really.

Molymines is Molymines, which is all we can really say except that we can use Molymines as an ideal for what can happen to any molybdenum explorer with a bit of luck, some decent management, and the right combination of glamour and capital expenditure. The Twiggy Effect is our only worry, after seeing the irresistible power of his presence propel Niagara from the doldrums to ridiculous heights. It is a problem only because it seems anything he touches turns to gold, and gets quite heavy quite quickly. Maybe the skill here is saying "You do want to pay 70% right now for a project which won't give you anything back until 2012 (MOL), 2014 (IBG), 20-something, maybe (WLF)". As such, if you look at the prices you pay now and the profit left before the valuations become a bit tubby, there isn't that much room to maneuver.

By comparison, Azure Minerals possibly has the best jackpot waiting to be paid out. In all reality, if we see Azure deliver another three 198m @ 0.06% Mo drill holes, or something within the ball-park, then they have another Spinifex Ridge type of deposit give or take an order of magnitude. The sooner we recognise a success (or failure) of their exploration campaign in this area, the sooner a long-term position can be locked in for beer money. We make no excuses here, it will be another massive, capitally intensive and long-lead-time prospect if it is confirmed. However, the multiple on 9 cents going to \$4.40 is a lot better than \$4.40 going to \$28. Thus we still retain speculative optimism on Azure.



Market Overview

The purpose of this section is to give you, the not-so-average punter, a better feel for the various oddities discussed in this report, so you can keep up with the jargon you will doubtless encounter in following any of these stocks. This review is weighted to the occurrence, nature, production and consumption and what little market forecasts there are for these elements.

Molybdenum

Lubricant, Steel Additive

Molybdenum is a friable, white metal and occurs in granites and associated hydrothermal systems as a sulphide, molybdenite which is a crucial lubricating component (eg; moly grease) with the lowest coefficient of friction. Used as an alloying additive in high-temperature and high-tensile, high-impact steels, its consumption has soared amidst stagnant production, delivering US\$28/lb prices this year. Forecasts of strong demand growth and flat supplies are predicated upon China, as usual, and the long lead times and inability to ramp up the already colossal mines.

Yttrium

Fuel cells, phosphors, tech applications

Yttrium is a poorly-understood and thinly traded rare earth metal which is rare within the Earth's crust and found commonly in pegmatites and some granite associations. Some supply is sourced from rare earth phosphates in heavy mineral sands concentrates of the mineral monazite. Demand is growing steadily, on the back of its use as a doping agent in 'natural spectrum' fluorescent lights, but it is not well understood. A major potential consumer of yttrium is in solid oxide fuel cells which use yttrium-doped-zirconia (YSZ) cathodes. While the amount used in each fuel cell unit is a trade secret, we can assume that in producing 50,000 units per year, there should be significant consumption and sustainable growth above and beyond the already well-understood fluorescent lighting applications.

Zirconium

Fuel cells, nuclear reactors, ceramics, automotive paints, dyes etc

Zirconium, present in the natural mineral zircon, is used in a variety of industrial applications and in ceramics. Notable high-growth areas of demand include growing use in automotive paints to replace lead and other metals, growing demand as a mediator in the control rods and reactor vessels of nuclear reactors where it is a neutron retardant, and in the solid oxide fuel cells. Here, in particular, we think there will be a very substantial consumption although, again, consumption amounts are not published. Demand here could run into thousands of tonnes per annum.

Lithium

Ceramics, batteries, medicinal applications

The lithium market outlook is equivocal. Increasing high demand from battery manufacture for mobile phone cells, where the bulk of lithium is used, is strong. Lithium use has grown 4% per annum over 10 years. Some analysts are upbeat on lithium prices on the back of demand growth from hybrid vehicles and mobile phones in developing markets. However, continuing issues with battery safety is delaying mass production of hybrid vehicles, and recycling of phone batteries will soften demand growth. Similarly, a major new supplier in the form of alkaline lake brines from China and Argentina (Admiralty), with 30,000 tonnes of lithium per annum will capture 12% supply growth. However, the supply deficit beyond 2009 may place Galaxy's Mt Cattlin production into an improved lithium market price when production gets underway. Similarly, a solution to hybrid battery issues will firm up a huge demand of about 120-200kg per vehicle, with the current hybrid market at 500,000 vehicles per year and growing 20%.

Niobium and Tantalum

Electronics and technology applications

The tantalum market has long been dominated by Sons of Gwalia's Greenbushes and Wodgina mines, with minor supply from China and other sources comprising only 20% of the market. Tantalum demand is growing, with uses being found in mobile phone capacitors and as a consequence of additional consumption of electronic goods worldwide. Tantalum prices are not figured through an international clearing house, and with limited supply options and increasing insecurity about Greenbushes future ability to supply, there is a likelihood that our forecast US\$35 per pound would appear sustainable in the longer term. It is also likely that customer off-take agreements could be negotiated by producers for favourable prices. Material quality is also a major contributor to tantalite value, with mineral contaminants and purity a major consideration.

Niobium demand is controlled by tech-sector applications and new uses in aerospace alloys which is a major consumption driver. With several thousand large passenger airliners on the order books. Boeing predicts air travel will grow 4.9%pa over next 20 years, and projects demand for 27,200 new aircraft between now and 2025. This is a doubling or more of the commercial fleet over the next 20 years, a stable consumption pattern for niobium. The demand growth for niobium in the U.S. was 19% in 2005-2006, in line with supply growth of 19%.

**Rare Earths****Electronics, tech-sector metals, ceramics, etc.**

The day has come for Rare Earths Elements (REE), so-called because of the difficulty in the 19th and 20th centuries involved in separating these chemically similar elements from one another. The source of REE's is in Rare Earth Oxides (REO), typically hosted in pegmatites, alkaline granites and ultrapotassic intrusions or carbonatites – typically rare rocks which very few people understand well at all, and a hassle to find in the bush. Typically, the rare-earth elements are not that rare in the crust or in geologically significant concentrations (consider that nowadays with Nolans Bore, Mt Weld and Dubbo Zirconia Australia has probably 60% of world reserves) but are an absolute nightmare to refine. The product of any REO mine is an amalgam of the 12 or so rare earth elements known as *mischmetal*, which translates from German as 'mixed-metal'.

Cracking mischmetal into its component elements requires some environmentally naughty and energy intensive fiddling by legions of chemists in expensive laboratories with odd colored beakers. We don't even pretend to understand the processes, which are carefully guarded secrets, but we do understand the costs of such refining – a handy figure Lynas Corporation put out is US\$4 per kilogram of REO. This is a vital figure to weigh in against the heady prices being paid for the metals and the apparent money certain companies claim to be able to roll around in within 3 years of starting production.

Rare Earths are used in permanent supermagnets, ceramics, glass doping, technology sector applications such as in LCD screens, in alloys, in hard drives, hybrid cars, and in solid-oxide fuel cells. Demand has grown between 4 and 10% per annum over the 1996-2006 period and is predicted to grow between 10% and 14%. Supply growth is zero before 2009.

The supply side of the market in REE is 95% controlled by China, from the Bayan Obo mine, which is running at capacity. World refining of REO's is virtually 100% controlled by China. China has, as a consequence, suffered appalling pollution due to the nasty chemicals required to refine the metals, and has shut down about 40% of its refining capacity in order to avoid three headed fish in its rivers. As a consequence, REE supplies are increasingly tight, prices are rising astronomically and tariffs have been imposed on exports.

This is all good news for potential producers, except the lack of refining capacity. It would appear that any company hoping to extract any value from its REO's must entertain spending time, money and political capital on convincing a government that refining REO's into their pure elemental states at great energy cost is a great idea. This cost Lynas \$25 million by going to Malaysia to avoid the tariffs and restrictions in China, and would likely cost any other REO miner a similar amount, or theoretically a friendly JV with Lynas to short-cut the technical risks and financial risks in self-funding and managing the project in-house, and to avoid Chinese tariffs and refinery constraints.

Scandium**Aluminium superalloys**

Scandium is a very rare element, with a market in the tens of tonnes per annum and supply exclusively from cold war strategic stockpiles generated as a consequence of uranium red mud byproducts during cold war armament production. The potential market could be enormous in aerospace applications, where a scandium-aluminium alloy has 20% greater tensile strength and abrasion resistance than duralumin and existing alloys.

However, supplies are limited, and resources are confined basically to three deposits that anyone is aware of; the Mulga Rock uranium deposit with 2,000t (wrangling over ownership of this deposit continues), the Young nickel laterite with 20,000t (Jervois Mining 100%), and a nickel laterite in Queensland with 200t of scandium (Metallica Minerals 100%). With prices of \$600,000 per tonne on some estimates, we should all be millionaires, but we caution that a world market of 10 tonnes per annum of demand can be flooded the moment any of these deposits are brought on stream.

Perhaps the only hope is for some company to acquire the majority of the world's supplies in scandium and lock in supply contracts with aerospace consumers and make it happen. Considering the reluctance of Jervois Mining to make sensible business decisions over the Young resource, where they seem to believe a \$20m company can work up 1.2 million tonnes of nickel in the laterite, we really doubt that we will see a sustainable market in scandium any time soon. Ditto for Mulga Rock where the uranium content is a little too great for West Australian politics.

**Roland Gotthard***BSc (Hons) Geoscience,*

Resources Analyst

Phone: +61 8 9288 3302

rgotthard@stateone.com.au**Advisory Team**

Graeme Johnson
Equities Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Matthew Racovalis
Equities Advisor
Phone: +61 8 9288 3307
mracovalis@stateone.com.au

Brendan Fogarty
Equities & Derivatives Advisor
Phone: +61 8 9288 3304
bfogarty@stateone.com.au

Brett Walker
Equities Advisor
Phone: +61 8 9288 3337
bwalker@stateone.com.au

Charles Thomas
Equities & Derivatives Advisor
Phone: +61 8 9288 3308
cthomas@stateone.com.au

George de san Miguel
Equities Advisor
Phone: +61 8 9288 3334
gmiguel@stateone.com.au

Jason Fung
Equities Advisor
Phone: +61 8 9288 3328
jfung@stateone.com.au

Xuan Pham
Equities Advisor
Phone: +61 2 9024 9110
xpham@stateone.com.au

Ryan Davis
Equities & Derivatives Advisor
Phone: +61 2 9024 9106
rdavis@stateone.com.au

Eugene Loy
Equities & Derivatives Advisor
Phone: +61 2 9024 9109
eloy@stateone.com.au

Peter Wong
Equities Advisor
Phone: +61 8 9288 3330
pwong@stateone.com.au

Kenny Siew
Executive Director
Phone: +61 8 9288 3318
ksiew@stateone.com.au

Roland Gotthard
Resource Analyst
Phone: +61 8 9288 3302
rgotthard@stateone.com.au

Francis Tan
Senior Equities Analyst
Phone: + 2 9024 9112
ftan@stateone.com.au

Cronje Wolvaardt
Investment Analyst
Phone: +61 8 9288 3340
cronje@stateone.com.au

Alan Hill
Managing Director
Phone: +61 8 9288 3388
ahill@stateone.com.au

Sophia Bingard
Dealers Assistant
Phone: +61 8 9288 3341
sbingard@stateone.com.au

Paulina Slivkoff
Dealers Assistant
Phone: +61 8 9288 3313
pslivkoff@stateone.com.au

General Advice Warning

The contents of this document have been prepared without taking account of your objectives, financial situation or needs. You should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in this document, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs.

Whilst State One Stockbroking Ltd believes information contained in this document is based on information which is believed to be reliable, its accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One Stockbroking Ltd or any officer, agent or employee of State One Stockbroking Ltd.

If applicable, you should obtain the Product Disclosure Statement relating to the relevant financial product mentioned in this document (which contains full details of the terms and conditions of the financial product) and consider it before making any decision about whether to acquire the financial product.

Disclosure

The directors and associated persons of State One Stockbroking Ltd may have an interest in the financial products discussed in this document and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products.