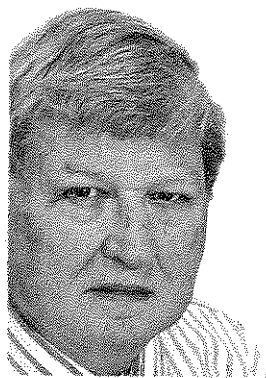


BRACING FOR RARE-EARTH



PURE SPECULATION

ROBIN BROMBY

The boom in some may be ending, but others will remain in short supply

ITS offices are on New York's Madison Avenue and it takes the Austrian economic school as its guide, so what's not to like about investment banking firm Hallgarten & Co?

Well, its overly sombre view on rare earths, for one thing.

Here's the headline from its latest report: "The rare-earth boom has ended."

Wait, there are more home truths, one being: "We see the rare-earth element world being winnowed of its chaff over the next year, with companies repurposing themselves in droves."

Globally, analyst Christopher Ecclestone thinks, there will be only five survivors among the 200-odd stocks.

That's probably a little too stern. After all, just locally we have **Lynas Corp (LYC)** clearing its last Malaysian hurdles to production while **Alkane Resources (ALK)** is tying up with Japan's largest rare-earth processor. And there are explorers such as **Hastings Rare Metals (HAS)** and **Kimberley Rare Earth (KRE)**, which have advanced resources. Even **Arafura Resources (ARU)** has rustled up another \$9.9 million despite setbacks. And this doesn't even include the list of well-advanced North American companies.

Ecclestone, though, is focused on the heavy — and most valuable — end of the rare-earth spectrum, and he sees it as a two-horse race between explorers **TUC**

Resources (TUC) and **Northern Minerals (NTU)** as to which can secure a partner with the necessary deep pockets. "No one else will be able to compete for the attentions of the few end-users so disposed to take strategic stakes or make full acquisitions," he writes.

"Thus it's either Northern falls first or TUC, but whichever one goes the process will shine a massive spotlight on the survivor."

Ecclestone's report focuses on TUC, which appears to have discovered ionic-like clays in the Northern Territory similar to those that host southern China's rare-earth deposits.

TUC's deposit is rich in yttrium and dysprosium, two rare-earth elements that are expected to be in serious shortage over the next eight years (at least).

China gold move

TWO weeks ago in this space we pushed the case that China's voracious appetite for gold is such that — regardless of just about any other factor — this will underpin the yellow metal's price (now a robust \$US1627 an ounce).

One of the points was that, apart from importing huge quantities of gold, China was also tying up production capacity globally (the theory being that Beijing is planning a gold-backed yuan).

So it was interesting to see that Chinese company **Eagle Brilliant Holdings** is investing \$4m to take a 19.9 per cent stake in **Vector Resources (VEC)** and its Gwendolyn East gold project in Western Australia.

The important line in the announcement was that Eagle Brilliant's focus was to "provide off-take arrangements".

More gold earmarked for China, in other words.

Gwendolyn's present resource is 4.2 million tonnes at 1.58g per tonne, or 214,500 contained ounces.

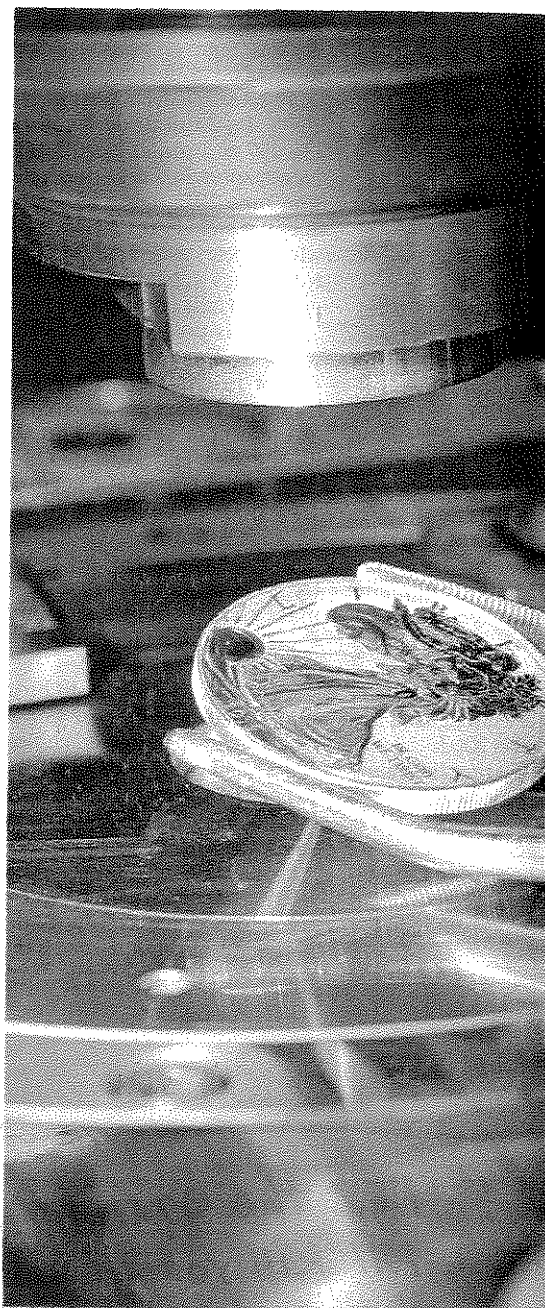
Silver still staggering

WHILE gold is rebounding, silver is still staggering, closing the week at \$US27.79 an ounce. Apart from the resilience of the gold price, there is little to support silver at present. BNP Paribas's Anne-Laure Tremblay says.

Fabrication demand is suffering from a slowdown in economic growth as well as an oversupply of photovoltaic cells.

Meanwhile, the new mines and expansions are expected to outweigh closures over the next three years.

Investors have lost interest, as silver coin demand has slowed drastically. US coin sales shrank by 22 per cent in the six months to June compared with the first half of last year.



A report by a New York firm on the rare-earth boom

One of the new sources of supply could be the mothballed **Nimbus** silver mine near Kalgoorlie, which could be back in action next year.

Keith Goode of **Eagle Resources** has a spec buy on the mine's new owner, **MacPhersons Resources (MRP)** and a target price of 50c (against its Friday close of 38c).

For the June quarter the company posted an increased resource of 2.46 million tonnes at 119g a tonne of silver, or 9.4 million contained ounces. Goode sees the major challenge being the need for a new tailings dam, approval for which could take six to 12 months.

Rush for exits

GOOD news at present merely provides a liquidity event and an opportunity to exit a stock.

That's the view of Canaccord

Genuity's Warwick would be hard to dis-

"Recognition of group is matched by another group that switch to cash," he says.

Waiting for a market. Don't hold your breath says any recovery without affair as value buyers will face a wall.

"The masses are convinced that equity merit here and now."

Lawson of Arabia

LAWSON Gold (L) week or so away from deal to control a large gold, copper and base metals in Saudi Arabia company delicately puts the intricacies of Saudi custom with Australia presented its challenge.