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## Investors rush into rare earth element mining

By CBC News  
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*Investors are rushing to cash in on a new mining boom, one that might end up creating a new industry in Canada.*

Investors are scrambling to cash in on a new mining boom, one that might end up creating a new industry in Canada.

The rush is on to find deposits of rare earth elements (REEs), critical components of materials used in the defence, electronics and other key industries.

REEs comprise 16 chemical elements uniquely able to retain their physical properties at high temperatures. China is by far the world's dominant producer but has served notice it plans to conserve supplies for its own use.

"There are absolutely no substitutes for the rare metals that are used in (the missile) guidance systems and hybrid batteries that are used in defence applications," Quest Uranium Corporation CEO Peter Cashin told CBC News.

REEs are used for everything from nickel metal hydride batteries in hybrid cars to fibre-optic telecom cables, military hardware, solar panels, wind turbines, compact fluorescent lighting, mobile phones, computers, the manufacturing of super conductors and high energy magnets and petroleum refining.

### Demand to soar

Demand in the West for REEs is set to explode, not only because of China's move but also as demand grows for these products. The Industrial Minerals Company of Australia has predicted global demand will grow from about 112,000 tonnes in 2008 to approximately 180,000 tonnes by 2015, a 60 per cent increase.

"I think [the demand growth prospects are] very promising," said Glen Jones, Intierra.com's executive director responsible for the Western Hemisphere.

Intierra monitors global exploration and mining on a daily basis and offers online subscriptions to its detailed data bases to clients like Barrick, Newmont, Anglo American, Rio Tinto, Cameco and Standard Bank.

Currently, China controls between 95 and 97 per cent of world REEs production. But its announcement in September, Jones said, "caused a bit of panic" for customers outside China, who now question where the supply will come from.

That's one reason why Toronto-based Quest Uranium's share price has soared recently to almost \$3 from five cents when it first listed on the TSX Venture Exchange in January 2008. Quest is exploring two deposits in northeast Quebec near the border with Labrador. The site is 125 kilometers west of the Voiseys Bay nickel-copper-cobalt deposit

currently being mined by Vale.

REEs aren't actually that rare and, in fact, are as common as nickel or tin. The name refers to the fact they aren't often concentrated in deposits that are profitable to develop.

Canada is three decades behind China in developing the rare earth industry, Jones said, because 30 years ago, China saw the potential and dramatically increased production.

"This caused a steep decline in commodity price and effectively killed off any competition," he explained. "So that's why they've had this monopoly. It hasn't been economical for anybody else to explore."

TSX and TSX Venture companies exploring for rare earth elements:

African Aura Mining Inc., Altius Minerals Corporation, Argus Metals Corp., Arianne Resources Inc., Aurizon Mines Ltd., Avalon Rare Metals Inc., Azimut Exploration Inc., Benton Resources Corp., Big Red Diamond Corporation, Canadian Orebodies Inc., CanAlaska Uranium Ltd., Capella Resources Ltd., Commerce Resources Corp., Consolidated Abaddon Resources Inc., Cornerstone Capital Resources Inc., Cream Minerals Limited, Eagle Plains Resources Ltd., Etruscan Resources Inc., Fieldex Exploration Inc., First Lithium Resources Inc., Forum Uranium Corp., Galahad Metals Inc., Globex Mining Enterprises Inc., Gold Canyon Resources Inc., Golden Dory Resources Corp., Goldstake Explorations Inc., Great Western Minerals Group Limited, Hinterland Metals Inc., Hudson Resources Inc., **International Montoro Resources Inc.**, JNR Resources Inc., Jourdan Resources Inc., Kings Bay Gold Corporation, Kirrin Resources Inc., Mainstream Minerals Corporation, Matamec Explorations Inc., Mawson Resources Limited, Medallion Resources Ltd., Midland Exploration Inc., Niogold Mining Corp., Nortec Minerals Corp., Nuinsco Resources Limited, Otish Energy Inc., Paget Minerals Corporation, Pele Mountain Resources Inc., Playfair Mining Ltd., Pure Nickel Inc., Quest Uranium Corporation, Rare Earth Metals Inc., Rare Element Resources Limited, Red Hill Energy Inc., Rock Tech Resources Inc., Rubicon Minerals Corporation, Silver Fields Resources Inc., Slam Exploration Ltd., Sparton Resources Inc., Stans Energy Corp., Stelmine Canada Ltd., Stratabound Minerals Corp., Strategic Resources Inc., Tasman Metals Ltd., Threegold Resources Inc., TNR Gold Corp., Torch River Resources Ltd., True North Gems Inc., Ucore Uranium Inc., URSA Major Minerals Incorporated, Victoria Gold Corp., VMS Ventures Inc., Waterloo Resources Ltd., Western Troy Capital Resources Inc., and Yankee Hat Minerals Ltd.

That has created an exploration rush that could become an opportunity for Canadian mining companies.

"Canada's definitely going to benefit," predicted Jones.

"Canada has really been blessed with great geology," he said. Canada has 109 - or 56 per cent - of the potential deposits outside of China. Quebec, with 41 exploration projects, and Ontario, with 28, have the best potential, but there are possible targets in other provinces and territories, too.

There's no production in Canada yet, but three exploration projects have been able to identify reserves at Nechalacho Lake in N.W.T., Strange Lake in Quebec, and Hoidas Lake in Saskatchewan. Alberta and P.E.I. are the only provinces where companies are not yet active.

Investor interest growing

"There's a huge amount of investor interest given the opportunity to invest in the early stages when the rewards can be substantial," said Jones.

Quest has two projects at Strange Lake. Initial results from its exploration hold promise, but there are still challenges. Among them is negotiating a partnership with a larger company with a facility to process the ore into concentrate. Cashin said Quest has "just started" trying to find a potential partner.

Jones has watched investor interest in REEs grow. To address that, he used Intierra's database in advance of a speech he was to give at a mining investment conference in Vancouver in January to come up with a list of 72 Canadian companies listed on the Toronto Stock Exchange and TSX Venture market with potential REE properties. (See sidebar.)

Jones said his aim was to compile a list for investors, but he's not recommending any of them. He emphasized investors must do their own due diligence.

Small resource companies are high risk. Their projects might turn out not to be profitable, and in times of market turmoil, investors might find they can't sell their shares at any price. Also, because they are small, they may be less able to weather downturns in their industry or the wider economy.

Jones put together the list because "without a database like ours, it would take weeks or months" for small investors to put their own together.

When researching companies, Jones suggests investors ask themselves whether firms have:

- Enough cash to carry out their exploration and development programs.
- Management with the necessary skills and experience with rare earth elements.
- A coherent plan to develop reserves should they find them.

Despite all the risks, Cashin, who has been in the resources business for more than 30 years, says "it's very exciting" to be in on the first stages of what is essentially a new industry.

"I've never seen this kind of development in the resource area before," he said.

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