



Chinese players revive interest in Australian REE projects; Is this another sign the sector is bouncing back? -

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  By amazing coincidence, Chinese-connected interests have moved to cement ties with the two emerging Australian rare earth prospects so far without a major partner, with both deals being announced the same morning. And suddenly the market got interested once again in the REE story. After the announcements, stock in Arafura Resources (ASX:ARU) was up 25% while by later afternoon Hastings Rare Metal (ASX:HAS) was ahead on the session by 17.6%.

The two announcements have one vital common point: the potential new partners have REE processing technology at their fingertips.

A word of caution first, however. Both companies have signed memorandums of understanding (MoU) which are non-binding and the new partners can pull out. That caveat stated, the moves are a significant step forward for both companies. In Arafura is must be seen as a lifeline; in the instance of Hastings, finalisation of the planned arrangement will save many hundreds of millions of dollars in capital outlays and make possible production in early 2015.

Arafura's MoU is with Shenghe Resources, located in Chengdu, Sichuan province which has small allocations under China's rare earth export quota; just 647 tonnes of light REE and 56 tonnes of heavies.

Shenghe, which is listed on the Shanghai Stock Exchange, does not want the Arafura output for its Chinese customers. Rather, because it is limited by the quotas in what it can export from China, the company is seeking supplies abroad to enlarge its international business free of those export quotas.

Arafura's Nolans project in the Northern Territory has an ore reserve of 24 million tonnes at 2.8% rare earth oxides along with phosphate and uranium, enough to support a 22-year mine life. But, as has been reported here on Investor Intel, the company has had its setbacks. And this is not just a deal where a new partner will inject cash; they will no doubt do that once the deal is finalised, but just as importantly it will bring expertise to Arafura for its separation plant processing.

Meanwhile, Hastings has attracted an unnamed strategic investor but one with connections to processing of REE in China. The investor will, under the terms of the MoU, provide staged financing of the Hastings project through to commercial production. However, further due diligence will be carried out by the new party.

Possibly the most telling sentence in the announcement was this: "Importantly the strategic partner has a deep technical understanding of the separation of refining process required for heavy rare earths". It is already a producer of 99.999% purity yttrium and dysprosium. Hastings project's economics have been predicated on four elements: dysprosium, yttrium, niobium and zirconium. Its rare earth composition is above 80% heavy rare earths.

Hastings was faced with a capex bill of around AUD\$720 million to process in Australia. However, this tie-up with a strategic partner should allow it to mine the ore, send it overland by road train (a road vehicle where the power unit can haul two or three huge trailers at a time) and then ship from the port of Wyndham which has access to the Timor Sea.

This strategy should make possible first production by early 2015. It also reduces the number of approvals required in Australia as there will be no processing and disposal of uranium and thorium.



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Robin Bromby is a journalist, author and sometime publisher who has had titles issued by mainstream publishers, including Doubleday, Simon & Schuster and Lothian Books. Robin began as a cadet journalist in 1962 with The Dominion, the morning paper in Wellington, New Zealand. He also worked for the NZ Broadcasting Corporation, TV1, the South China Morning Post, The Herald (Melbourne), the Sunday Times (Wellington), The National Times (Sydney) and, since 1988, he has been first a staff reporter and now columnist for The Australian and has been a Senior Editor for InvestorIntel since the onset.

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