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Rare earths play sweats on Greenland OK

Matt Chambers | October 06, 2009

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AUSTRALIAN company Greenland Minerals and Energy is sitting on arguably the world's biggest rare earths deposit, one that some say could go a long way to breaking China's monopoly in the growing sector.

But China's stranglehold will remain unthreatened as long as Greenland's newly elected socialist government continues to ban mining at the deposit because it will need to produce uranium as a by-product.

According to Greenland Minerals, Greenland's zero-tolerance approach to uranium mining is being reviewed as the country prepares to take full sovereignty from Denmark over its natural resources in January.

As a result, the junior is increasing its lobbying of the 80,000 people who live in Greenland to back the project.

Rare earths hit the spotlight in Australia recently when China Nonferrous Metal Mining (CNMC) made a \$500 million tilt for Lynas, which claims its Mount Weld deposit in Western Australia is the world's richest.

CNMC walked, however, because Australia's Foreign Investment Review Board would not let China take a stake of 50 per cent or more in Lynas -- partly because the Asian nation already controls 95 per cent of the world's rare earth production.

Rare earths are used in products from mobile phones and low-energy light bulbs to hybrid cars and missile guidance systems.

China has slashed exports of rare earths every year since the start of the decade, much to the despair of Japan, which has plans to forge ahead in new markets, such as electric cars.

Those restrictions have sent the likes of Toyota and Japan's largest trading houses scrambling to secure more supply, with government sources in Tokyo describing a "panic mentality" among some large industrial groups.

Greenland Minerals' shares jumped 12 per cent to 45c yesterday, pushing its market value to \$100m, after a British newspaper report said the company's Kvanefjeld deposit could shift the balance of power in the supply of rare earths metals.

The report did not mention the deposit could not currently be mined under Greenland laws because of its uranium content.

Greenland Minerals general manager John Mair said the government had not given a timetable for its review of uranium restrictions but that the company was hoping it would be finished in the first half of next year.

He said conversations with the government had been positive and that the government might change its policy from one of zero tolerance to allowing uranium to be mined as a by-product.

Chief executive Roderick McIllree was more forthright.

"This site is a country-maker for Greenland and the first big opportunity to represent a monopoly-breaker of Chinese dominance," he said.

Greenland Minerals is a lot more optimistic than it was mid-year, when it was forced into a trading suspension amid reports the new government would not allow the deposit to be mined.

It started trading again in July, stating English translations of reports had contained factual errors and that the government had not made up its mind on uranium mining.

The deposit, still in pre-feasibility stage, is undoubtedly huge and could have annual production of about 40,000 tonnes of rare earths and 3000 tonnes of uranium oxide in 2014 if all goes well.

That is about twice the size of Lynas's proposed rare earths output and just short of the biggest mine in China, which produces at about 50,000 tonnes a year.

Additional reporting: The Times

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