

# China's Jiangxi updates Heavy Rare Earth Reserve and Resource Estimate

✘ The Bureau of Geology and Mineral Exploration of Jiangxi Province (the "Jiangxi Geology Bureau") has published a report named "Research on Preservation Level of Resources in Jiangxi Province" dated January 21, 2013. The Jiangxi Geology Bureau reported a total ion-absorbed-type rare earths reserve and resource estimate of 15.63 million metric tons of TREO (total rare earths oxide) in China's Jiangxi Province, including a total of about 13.5 million metric tons of light rare earths oxide and about 2.13 million metric tons of medium-heavy rare earths oxide. The latest results suggest that Jiangxi will increase its rare earths oxide reserves by about 600,000 metric tons, which will accumulate to a total of about 1.07 million metric tons in the next 3-5 years.

While the reserves and resource estimate of tungsten have yet to be updated by the Jiangxi Geology Bureau, there are at least 5.96 million tons of potential resources as well as increased reserves totaling about 1.2 million metric tons in the next 3-5 years.

In fact, Jiangxi's rare earth ore is mainly distributed in Ganzhou, the southernmost city in the province. The ion-absorbed-type rare earths ore was first found in the Longnan area in 1969 and it was used to address military demand. Not only is the City known as rich in medium and heavy rare earth, but it also holds significant tungsten reserves such that it has come to be known as the "tungsten capital" of China.

China's State Council issued development guidelines for Jiangxi in July last year. In order to make the area an internationally competitive player in the rare earth industry,

the Ministry of Science and Technology has started to build a research institute in Ganzhou in December 2012 to conduct large scale research in this field. The Ministry of Industry and Information Technology (MIIT) along with 11 other ministries, moreover, released a document entitled "Guidelines for the Merger and Reorganization of Key Sectors" on January 22, 2013. The measures aim to increase global competitiveness and efficiency: "promoting mergers and reorganizations will help improve resource allocation, adjust and optimize industrial structures, and improve the global competitiveness of key enterprises," said Zhu Hongren, chief MIIT engineer. The China Securities Regulatory Commission (CSRC) has started to investigate the viability a rare metals futures trading center in Ganzhou. Moreover, the State and the local government have also adopted a series of special preferential tax policies, with a view toward speeding up the development of the rare earth and tungsten industries in Guangzhou.

According to the latest "Report on Government Activity" from the Ganzhou Government, published on January 6, 2013, in 2013, Ganzhou will comprehensively advance the construction of the rare metals futures trading center as well as a rare earth and tungsten trading & distribution center. Moreover, the relevant authority also will accelerate the construction of the Ganzhou rare earth industry base and the southern ion-absorbed-type rare earths strategic resources reserve center. "We will comprehensively promote the integration of the rare earth industry in our region, based on Ganzhou Rare Earth Group Co., Ltd, speeding up the establishment of the first China Southern Heavy Rare Earths Group in 2013."

As it faces the domestic rare earth market in downturn, the Ganzhou Rare Earth Industry Association did announce the latest price for ion-absorbed-type rare earths ores in Ganzhou on January 11, 2013. The yttrium and europium rich rare earth concentrate prices were hovering around 170,000 Yuan per metric ton, while Longman high-yttrium rare earth concentrate

prices ranged in the area of 200,000 Yuan per metric ton. Anyuan high-yttrium rare earth concentrate costs 175,000 Yuan per metric ton, Xunwu low-yttrium rare earth concentrate prices costs 90,000 Yuan per metric ton. It is obvious that the government has been trying to help the enterprises cover the development costs by reducing the price of the rare earth ores.

#### JIANGXI GEOLOGY BUREAU Background

The Jiangxi Geology Bureau is a state business unit, a social institution that is run by state organs or other organizations using state-owned assets for the purpose of social and public interests, in the People's Republic of China (the "PRC"). Its principal activities include geological surveying, exploring mineral resources, project surveying and construction, preventing geological disasters, surveying and mapping, testing and related businesses.