

Spratly Islands' dispute redirects investors to Hastings heavy rare earths

☒ China is expanding the Spratly Islands in the South China Sea in contested waters that the US is following closely. A little too closely the Chinese think. This could affect the rare earth trade that China controls. As a result, the west will be looking more closely at deposits outside of China, like the one in Australia owned by Hastings Rare Metals Ltd, (ASX: HAS).

Tensions in the Spratly Islands have sparked interest in what these events may do to the price of rare earths, and rare earth companies. The dispute is largely over potential oil reserves, but the events are reminiscent of the China-Japan dispute over the Senkaku islands in 2011 that caused China to cut off rare earth supplies to Japan. And current tensions with the US makes people wonder if China would use rare earths as a bargaining chip to get control of these islands. Finding other viable sources, especially in the Asia-Pacific area are always a concern. Hastings has a deposit of heavy rare earths that may benefit from all this in the race to supply minerals from outside of China. And maybe China knows something about deep sea mining of rare earths that the Japanese have said is unfeasible. Perhaps that would be a reason to build islands?

Regardless of why China is expanding the Spratlies and building an airport, these sorts of tensions usually push up the price of materials that are both shipped through the region, and sourced nearby. The world is hugely dependent on China for rare earths and if they experience negative repercussions from claiming islands that several countries claim, and are closest to the Philippines, then they may retaliate in a sector that all modern technology needs. The

import-dependence, and the fact that China controls over 90% of the supply means that deposits in western countries like Hastings' are being examined closely as a way to lessen dependence on China.

Hastings has two deposits of heavy rare earths in Western Australia, Yangibana, and Brockman. They released a news release May 20th, regarding pre-feasibility (PFS), drilling at Yangibana. Their first target is the high neodymium mineralisation at Bald Hill South. A new target that was drilled in the 1980's will also be tested. They have also applied for a fourth mining lease, at Yangibana West, which will also be drilled as part of the PFS program. In late 2014 Hastings finished a Scoping Study of the Yangibana Project that confirmed the economic viability of the Project. In early 2015 they commenced work on the Pre-Feasibility Study.

When the PFS is released, if it infers that this could be a producing source of these critical heavy rare earths, it may speed up the process. If tensions continue, it could spur the west to produce rare earths more quickly. What is certain is that China will continue to control the industry whether there are price or availability shocks or not. To lessen dependence on China for these minerals, the west will be looking towards the news about deposits of heavy rare earths like Hastings'.