

China is looking everywhere for rare earths outside of China?

China is looking everywhere for rare earth sources outside of China now that export quotas have been replaced with a new tax. The first possible agreement between a Chinese and a Canadian company has been announced. Pele Mountain Resources Inc. (TSXV: GEM | OTCQX: GOLDF), declared March 30th that they have a memorandum of understanding, (MOU) with Sheng Kang Ning Mining Investment Co. Ltd., (SKN). SKN is a subsidiary of Shenghe Resources Holding Co. Ltd., listed on the Shanghai Stock Exchange: (600392.SS). They are one of the 6 major Chinese REE companies, and Pele owns the only mine that has previously produced rare earth oxides in Canada.

There was an announcement of government letters of support from all levels on May 6th, and the stock is currently 20% above what it was March 30th.



Pele is based in Elliot Lake ON. where they are sole owners of the Eco Ridge rare earth and uranium mine. Pele has written on their website that the recent market conditions haven't supported large scale rare earth mining, and so they have moved into processing high-grade rare earth bearing monazite in Elliot Lake. They also state that, "management believes monazite processing will help Pele win the race to production of critical rare earths and, ultimately, will support the development of Eco Ridge as market conditions improve." Market conditions have greatly improved, this is likely why SKN is making this venture now, and why governments are eager to allow them to get started. Unless extended, the MOU will automatically expire on September 30, 2015.

SKN would be running the REE mining operation and a state of the art monazite processing facility, to be located on Pele's property. The JV would be 50.1% owned by SKN and 49.9% owned by Pele. Since SKN is involved in the construction of rare earth separation technology, it is likely that aside from looking for critical rare earth sources outside China, they are looking to sell tech and build separation facilities.

Pele has been focusing on uranium mining, stating in 2013 that, "uranium revenue is forecast to exceed operating costs for the first five years of production and thereafter will offset the majority of operating costs, potentially reducing financial risks associated with rare earth production." Since the advent of the Chinese export tax on May 1st, and the April market report InvestorIntel released May 4th, the market for REE's is moving along like it hasn't since 2011. This new era of rare earths is likely to continue as technology is the brightest spot in the modern economy and it needs to be made out of something. Right now that something is Technology Metals.

Even if this does not become a source of materials for the Chinese market, this mine is well placed to service other markets, as it is close to rail lines, great lake deep-water ports, and the American markets. Since Eco Ridge has produced REE's before, it is a good place for SKN to begin it's emergence into the Canadian Technology Metals industry. This could continue to be a boon for Pele. It will be interesting to see what other exploring Chinese companies will be doing now that the end of export quotas will mean continued searching for critical rare earth sources outside of China.