

Alaska may become Silicon Valley of rare earths

Julie Gordon, Reuters, 10-2-11

TORONTO -- A rare earth project nestled into a mountain ridge on Alaska's Prince of Wales Island may unlock a motherlode of resources, bringing needed jobs and opportunity to the state and offering a secure supply of the strategic metals for the high-tech sector.

Between the Bokan Mountain deposit, owned by Canada's Ucore Rare Metals, and the nearby city of Ketchikan, Alaska, state legislators see the potential to build up a lucrative rare earth mining and processing industry, with exploration companies set to exploit about 70 promising sites already identified by state geologists.

"They have this view that, potentially, they can make Alaska the Silicon Valley of rare earths," said Luisa Moreno, an analyst at Jacob Securities in Toronto.

Moreno, who has a "speculative buy" rating on Ucore's stock, is optimistic about the company's prospects and sees it as one of the front runners among the dozens of exploration companies in the industry.

"Alaska has a serious unemployment issue and it is getting worse," said Moreno. "Rare earths seem to be their one chance - they really want to capture this opportunity and make it happen."

Rare earths are a group of 17 metals used in technology items from Apple's iPhone to Ford's Focus hybrid, as well as in defense applications and oil refining.

Nearly all of the world's supply is currently produced in China, where an export clampdown sent prices for the individual oxides and metals skyrocketing. That's seen as an opportunity for Alaska and for Canadian exploration companies like Ucore.

Bokan Mountain is a deposit rich in heavy rare earths, particularly dysprosium, which is in high demand globally.

Nearby Ketchikan, once home to major salmon cannery and a pulp mill, has the basic infrastructure and skilled labor to fuel a major mineral separation and refining facility.

Having the ability to process the rare earths would make developing other Alaskan deposits feasible. The facility could even refine concentrate from Canadian projects like Avalon Rare Metal's Nechalacho deposit in the Northwest Territories and Great Western Mineral's Hoidas Lake deposit in northern Saskatchewan.

But building up an industry from scratch won't come cheap. Ucore estimates it will cost about \$100 million to get the Alaska mine off the ground and an additional \$50 million to build a rare earth processing facility in Ketchikan.

As well, it can take up to three years to get permits in Alaska, in addition to time spent on drilling, feasibility studies and environmental impact work.

"The permitting issue is key and we recognize that both on the state and federal side we need to bring down these times," said Alaska's natural resources commissioner, Dan Sullivan. "It just takes too damn long to permit a mine."

Faster permitting would allow Ucore to stick with its 2015 production target, as well as help speed up non-rare earth mining projects being developed in Alaska by Barrick Gold , NovaGold Resources , International Tower Hill and Northern Dynasty .

As for financing this "Silicon Valley of rare earths", so far Alaska has earmarked \$500,000 for land assessment and, at a summit on Friday, Governor Sean Parnell committed to providing incentives for the development of known and highly prospective rare earth deposits.

"We want responsible resource development up here," said Sullivan. "There is a land here, a lot of unexplored land, and we think the opportunities are enormous."

MINERAL BOOM

If everything goes according to the best-case scenario, Alaska will be pushing out up to 2,300 tonnes of high value rare earth products a year from Bokan Mountain by 2015.

With processing infrastructure in place, Ucore and other Canadian-listed exploration companies can focus on finding new deposits to fuel that facility, which will likely lead to not only new rare earth finds, but other metal deposits as well.

State officials hope that, eventually, Alaska and its miles of untouched land will provide the United States with everything from [rare earths](#) to copper and gold.

"They've had a lot of oil revenue and now they're looking to add other natural resources," said rare earth industry expert Jack Lifton. "There's a natural resource boom about to be ignited in Alaska."

While having a secure, domestic supply of the metals is important, the focus for Lifton is on breaking Western countries' dependency on Chinese rare earths and their ever-soaring export prices.

In early 2010, cerium oxide cost about \$5.50 a kilogram. By August this year it was worth \$130, though the price has since slipped back to around \$70, according to Asian Metal. Dysprosium went from about \$200 per kg to \$2,500, before easing to around \$1,565.

"Right now, the issue is we've got to bring the total spectrum of rare earths into production in the West," Lifton said. "I am very confident that something major will happen in Alaska in the next twelve months in the way of rare earth mining."