Rare-earth mining operation to revive in US

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After signing deals with major Japanese trading houses that have been rushing to secure new sources of rare earths, mining company Molycorp Inc. plans to restart its rare-earth mining in California by the end of the year.

Molycorp will secure funds for the restart via a capital tie-up with Sumitomo Corp., and plans to supply rare earths to Sumitomo as well as Mitsubishi Corp.

Attention is focused on whether such alliances between Japanese and U.S. companies will be able to reduce the heavy reliance many nations have on China for rare-earth supplies.

Located in a desert area about 100 kilometers southwest of Las Vegas, Molycorp's mine in Mountain Pass, Calif., is the largest rare-earth mine in North America and the only one in the United States.

Before 2002, when low-priced competition from China forced the mine's closure, the facility mined rare-earth minerals such as cerium, used for polishing liquid crystal panels, and lanthanum, a vehicle fuel catalyst.

But recently tightened export controls by China, the world's dominant rare-earth producer, are sending prices higher. The situation has fueled concern among Japanese and U.S. industries and led Molycorp to restart the mine's operations.

The mine's redevelopment is costing the company $531 million. Molycorp has procured funds by listing shares on the New York Stock Exchange, striking a $100 million financing deal with Sumitomo and receiving loans from a major French bank.

Molycorp aims to save costs by using advanced technology to purify salt water that gushes out during mining operations and to use the purified water. It also plans to generate power using natural gas.

The company hopes to produce about 3,000 tons of rare earths next year, and aims to increase production to about 20,000 by late 2012. It wants to raise the figure to 40,000 eventually.

In mid-2012, when its rare-earth production is expected to go into full swing, Molycorp plans to maintain output costs at $2.77 per kilogram to better compete with China, where such production costs $5.58 per kilogram.

Mark Smith, Molycorp's chief executive officer, has vowed to change within two years the current situation, in which the world depends almost exclusively on China for rare-earth supplies.

But the California mine can only produce mainly middle and light rare earths such as neodymium and cerium, meaning it still trails by a large margin Chinese mines that contain heavy rare-earth elements.

Smith expressed confidence his company would be able to meet U.S. demand in two years, while considering Japan and Europe important markets. Despite his enthusiasm for rare-earth exports, it remains unclear to what extent the U.S. company can respond to global demand.