

**House Natural Resources Committee:
Subcommittee on Energy and Mineral Resources -
Legislative Hearing on H.R. 2011 and H.R. 1314**

**Testimony
of
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Chairman Lamborn, Ranking Member Holt, distinguished Members of the Subcommittee,

Thank you for the opportunity to testify today. As President & Chief Executive Officer of the Great Western Minerals Group, I am pleased to participate in this important legislative hearing on H.R. 2011, the National Strategic and Critical Minerals Policy Act of 2011 and H.R. 1314, the Resource Assessment of Rare Earths Act of 2011. These bills offer important elements of a much needed comprehensive solution to challenges in developing a complete, reliable and competitive rare earth supply-chain in the United States.

Great Western Mineral Group and Formation Metals, Inc.

I am particularly pleased to present both an international perspective, related to GWMG's rare earth projects, and a domestic perspective related to Formation Metals', Idaho Cobalt Project.

The Great Western Minerals Group is a rare earth processor pursuing a vertically integrated business model. Focused primarily on the permanent magnet industry, GWMG owns two rare earth alloy manufacturing companies: Great Western Technologies Inc. of Troy, Michigan and Less Common Metals Limited of Birkenhead, United Kingdom. In addition to permanent magnet alloys, these manufacturers can produce a variety of specialty alloys for the battery, automotive, aerospace, defense and clean energy industries. As part of our vertical integration we also hold interests in

several Rare Earth exploration and development properties in the United States, Canada and South Africa.

I am also a member of the Board of Directors of Formation Metals, a company currently developing the United States' only primary cobalt project in Idaho.

Resource Development

As highlighted in the legislation under discussion today, a solid understanding of the availability of critical minerals is a key starting point for their successful development.

With rare earth projects coming online outside China, including GWMG's Steenkampskraal mine in South Africa and shortly thereafter, Hoidas Lake in Saskatchewan Canada, it is likely that supply for light rare earths, such as lanthanum and cerium, will soon ease current shortages. However, the prospects for light rare earths related to permanent magnet manufacturing, such as neodymium, and production of heavy rare earths, such as dysprosium and terbium to name a few, are much less certain.

The key point -- and one that is addressed by the legislation before the committee -- is that simply lumping all "critical materials" or all "rare earths" into one category is not helpful in alleviating supply shortages. Instead, a comprehensive supply-demand analysis for the 17 distinct rare earth elements is needed to more fully inform the market as to which materials will continue to be in short supply and those which must be brought online rapidly to avoid downstream supply disruptions. It is necessary to first identify materials that will be in shortfall, then develop, as rapidly as possible, sources of supply for those material in shortest supply (such as the heavy rare earths).

Permitting

Once an ore body for these critical materials is discovered and proven to be economically viable for extraction, the lengthy permitting process begins. While many exploration companies and mining interests are quick to decry the arduous and often decade long permitting process, few of these companies can provide a comprehensive list of the reasons for the delay. This lack of a detailed framework for reform prevents companies from expediting their applications. It is our hope that this hearing and the legislation under considerations will be a catalyst for both industry and government in identifying specific roadblocks and systematically eliminating them.

We want to be very clear, GWMG does not support shortcuts that skirt important environmental and safety protections, as these are in no one's best interest; rather, we are encouraging a streamlining of the permitting process by the identification of unnecessary bureaucracy and inefficiency in the process.

Rare Earth Supply Chain Development

While there are numerous critical materials that the committee should consider, the situation in rare earths is one of the direst and is in most urgent need of finding and developing alternative sources of supply.

In its legislation, the committee should not only identify sources for critical materials, but also strive to ensure that a full supply chain is developed in the United States to provide downstream processing and value-added capabilities such as separation, and metal and alloy manufacturing. This problem cannot be solved by mining alone.

There are many challenges facing our industry. For example, much of the solvent extraction expertise required to convert ore to separated oxides is no longer resident in the United States, and is found today primarily in China.

Also, even with recognition of the need in the United States for supply of rare earths and other critical materials, without domestic demand for downstream, value-added products, it is inevitable that industry development in the United States will be limited. Quite simply, companies cannot invest in value added manufacturing capability without the demand to justify it.

Solutions

Nevertheless, solutions are possible.

As a first step, the legislation proposed today makes great strides in providing a more thorough breakdown of critical materials by individual elements. These analyses should include long term supply-demand comparisons and risk assessments related to the elements' prospects for long term availability.

The United States can also take near term steps to solve challenges such as its national security concerns simply by creating a small inventory of those rare earths in short supply as required by Representative Coffman in an amendment to the FY12 National Defense Authorization Act.

Additionally, the United States and its ally nations must develop downstream commercial capabilities to produce metal, currently 100% produced in China, and rare earth magnets,

currently produced primarily in China. Without such capabilities, there will be no demand to reestablish a vibrant rare earth sector in the United States. These holes in the supply-chain might very well lead to the United States' status as nothing more than an exporter of raw materials to nations such as China and Japan, which would transform those rare earth oxides into more specialized materials – materials that we would then have to import to support military and energy technologies in this country.

Conclusion

We are hopeful that a bi-partisan solution will include the best elements of both bills in a final piece of legislation passed by this committee. Such legislation would serve as an important first step in mitigating the rare earth and critical materials crisis. By taking this first legislative step, and then moving on to additional legislation such as the comprehensive Coffman RESTART bill to address issues such as manufacturing and national security challenges, the United States Congress can demonstrate important leadership in the global community regarding the ever more important issues surrounding the United States' precious natural resources.

Thank you again for the opportunity to testify. I look forward to your questions.