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April 14, 2010

**Federal Government Report Confirms Magnet Materials
Industry's Warning of Impending Rare Earths Crisis**
*Government Accountability Office Releases Review of Rare Earths in Weapon
Systems to Congress*

Washington, DC – The [United States Magnet Materials Association](#) (“USMMA”), a coalition of companies representing domestic high performance magnet producers and suppliers, today acknowledged a report by the Government Accountability Office (“GAO”) that confirms its warning of the impending rare earths crisis, especially as it relates to homeland security and the national defense.

The report, a performance audit to Congress released on April 14th, confirms:

- That while rare earth deposits are geographically diverse, the United States relies on Chinese sources for finished rare earth materials;
- That while the United States once dominated all stages of the rare earth supply chain, most current processing is performed in China, giving it dominance in worldwide supply and pricing;
- The rebuilding of a competitive domestic supply chain could take up to 15 years and will require significant capital investment and new technology development;
- The Department of Defense is currently evaluating the dependence of multiple defense systems and components on rare earth materials provided by lower tier foreign suppliers;
- These defense systems and components will continue to rely on these foreign sources based on their life cycles and lack of effective substitutes; and
- In anticipation of these identified supply risks, some defense contractors and government agencies have begun taking initial steps to limit this dependence on unreliable foreign suppliers or to expand the existing supplier base.

USMMA continues to advocate that the United States is today totally dependent on foreign sources for rare earth materials, elements essential to numerous renewable energy and defense systems including wind turbines, hybrid-electric batteries, computer hard drives and precision-guided munitions. China provides over 97% of the world's rare earth raw materials and dominates the world's rare earth refining, alloying and manufacturing.

Currently, there is one United States rare earth mine and processing facility (which is not mining), a major United States Geological Survey-validated deposit of rare earths in Idaho, two small alloying facilities and one significant rare earth magnet producer, making the nation's supply-chain for critical renewable energy and defense systems nearly non-existent and leaving the United States dangerously vulnerable to potentially unreliable foreign nations.

USMMA believes that urgent and collective action is needed by the federal government in order to head off the impending rare earth crisis. It is estimated that Chinese domestic consumption of rare earth materials will outpace Chinese domestic supply between 2012-2015. With a 3-5 year timeline to reestablish a domestic rare-earth supply-chain, the United States is already in a "silent crisis." It is unclear whether rare earth material will be available outside China in the coming years.

Colorado Congressman Mike Coffman recently introduced the Rare Earth Supply-Chain Technology and Resource Transformation (RESTART) Act of 2010, [H.R. 4866](#), to reestablish competitive domestic rare earths mineral production, processing, refining, purification, and metals production industries to support the growth of green job technology and manufacturing as well as the nation's defense industry.

The legislation, endorsed by USMMA, would create a "whole-of-government" approach involving the U.S. Departments of Commerce, Energy, State, and Defense, Office of the U.S. Trade Representative, and Office of Science and Technology Policy within the Executive Office of the President. Coffman's RESTART Act builds upon several elements of USMMA's platform for resolving the Rare Earth Elements (REE) supply crisis, a serious threat to the United States' economic and national security.

USMMA was founded in 2006 by magnet manufacturers Thomas & Skinner, Inc. of Indianapolis, Indiana; Hoosier Magnetics of Ogdensburg, New York; and Electron Energy Corporation of Landisville, Pennsylvania, to advocate on behalf of the specialty metals clause found at 10 U.S.C. 2533b. U.S. Rare Earths, Inc. joined in 2009 to expand the group's focus to support the reintroduction of a competitive rare earth supply chain in the United States.

USMMA members successfully advocated for the recently released GAO report, a congressionally mandated study of the rare earth supply-chain included in the FY10 National Defense Authorization Act. More information on the USMMA can be found at <http://www.usmagnetmaterials.com>.



Thomas & Skinner, Inc.
High Performance Magnetic Materials

[Thomas & Skinner, Inc.](#) is the world's leading manufacturer of cast and sintered alnico magnets, magnetic assemblies, and transformer laminations. Through its wholly-owned subsidiary Ceramic Magnetics, Inc., Thomas & Skinner is also a leading manufacturer of soft ferrite magnets.



[Hoosier Magnetics, Inc.](#) specializes in the manufacturing of hard ferrite powders used in a wide variety of permanent magnet applications. Founded in 1975 in Washington, Indiana; Hoosier is a privately held company owned by Dr. B. Thomas Shirk.



Electron Energy Corporation is a worldwide leader in samarium cobalt magnet production and offers design services and rare earth magnet assemblies. Electron Energy is the only US operated rare earth magnet company that still melts its magnet alloys in-house.

U.S. Rare Earths, Inc.

U.S. Rare Earths, Inc., an American natural resources development company based in Salt Lake City and New York City, holds large resources and reserves of high-grade rare earth metals and the largest documented high-grade thorium properties in the world within its properties in Idaho, Montana, and Colorado, including a large portion of known and estimated U.S. reserves.

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**FOR MORE INFORMATION,
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