

Catching the world with our rare earths contingency pants down

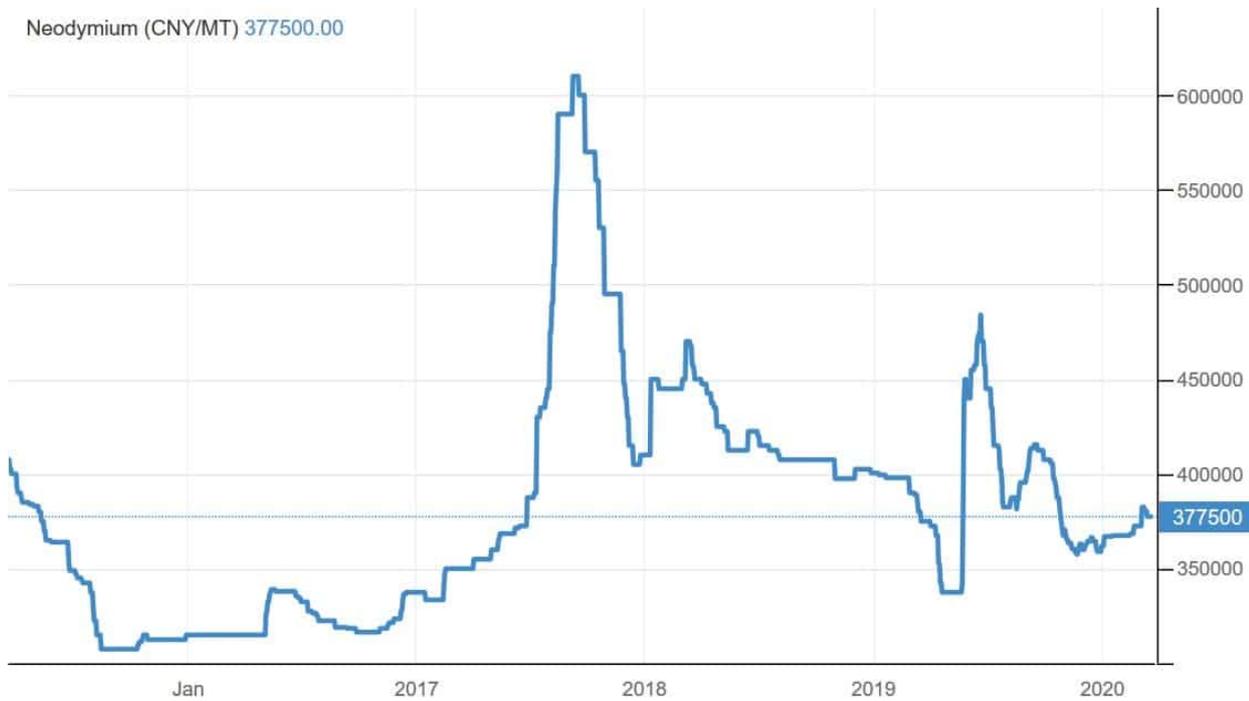
The rare earths market has had its ups and downs the past few years. In particular, the US-China trade war brought a new focus to the sector highlighting the world's dependency on China for rare earths supply.

Then in early 2020 with much of China closed down by the coronavirus the Chinese rare earths supply was put to test. While the Chinese market is often quite opaque, market pricing for key rare earths such as neodymium give an indication of the supply and demand dynamics.

Key rare earths price movements in 2020 as the China disruption was taking place

Neodymium (Nd) prices are up 4.28% so far in 2020, despite the slowdown in industrial production of goods that contain neodymium. Asian Metal reports praseodymium (Pr) prices are slightly down in 2020, and dysprosium (Dy) prices are up ~5% over the past 2 months.

Neodymium 5 year price chart



Source

All of this suggests that despite the coronavirus chaos in China the key rare earths market remained very stable. It would appear from this that China's inventory was adequate to cover any mining disruptions; however, demand was also lower due to the industrial slowdown.

Experts view

In this exclusive February 18, 2020 InvestorIntel video, rare earths expert Jack Lifton discussed with Tracy Weslosky the impact the coronavirus is having on critical metals:

Jack Lifton states:

*"(China) Shipments could stop at anytime.....logistics are compromised....**The coronavirus has caught the West with its contingency pants down.....this is a warning bell for everyone in the world.**"*

Jack also revealed that we do not even know if the Chinese possess enough stockpiles of rare earths to handle their own demand, never mind the needs of Americans.

Rare earths are vital ingredients for modern technology and the world relies largely on China



Source

Lynas Corporation Limited

Outside of China, the rare earths supply chain is completely reliant on one company. That company is Lynas Corporation Limited (ASX: LYC). Lynas is the world's second largest supplier of rare earth materials, and the only significant rare earths producer outside of China. Most of Lynas' rare earths go to long term contracts mostly with Japan. This means if we get a rare earths supply disruption from China and higher NdPr prices, then Lynas Corporation will be the key global company to benefit. This is worth keeping in mind in case we get a second wave of the coronavirus outbreak in China.

The latest news with Lynas Corporation

- February 3, 2020 – Australian government awards major project status to new Lynas WA plant. The Lynas Kalgoorlie plant will undertake cracking & leaching of rare earth concentrate from Lynas' Mt Weld mine, which is also located in Western Australia's Goldfields

region. Lynas will also explore opportunities for additional processing in Kalgoorlie.

- February 27, 2020 – Lynas Malaysia operating license renewed for three years.

The good news here for investors is that Lynas has achieved good progress towards their new cracking & leaching (C&L) facility planned for completion by 2023. This will tie in nicely with the 3-year Malaysian license renewal given the relocation of the C&L facility to Australia should be able to be done in the 3 year time frame. This clears the cloud over the stock from 2019 when they had uncertainties over their Malaysian license renewal due to environmental concerns. This is good for Lynas and good for security of rare earths supply ex-China.

Lynas Corporation to diversify its rare earths operations under their 2025 plan

Diversifying our industrial footprint

United States



MOU with a skilled US based partner, Blue Line Corporation, to produce separated Heavy Rare Earths and value added Specialty Materials.

Malaysia



A dynamic operation in Gebeng with Cracking & Leaching, Solvent Extraction, Product Finishing and opportunities for further downstream processing.

Western Australia

Tier 1 deposit at Mt Weld: Mining and Concentration. Cracking & Leaching to be relocated to WA by 2023



A summary of Lynas' progress towards their 2025 plan

Making significant progress on Lynas 2025 initiatives



Mt Weld, WA: Production ramp up to meet forecast demand growth



Kalgoorlie, WA: Building a new Cracking & Leaching in WA



Malaysia: Investing in increased downstream processing, product range, recycling



United States: Filling a market gap with new separation and product finishing capability

Source

Closing remarks

Japan recently announced they plan to stockpile rare metals as part of an effort to reduce dependence on China. Let's hope

the US and others finally get their act together to financially support the critical materials miners. This includes not only rare earths, but also the key EV metals cobalt and lithium.

The 2020s will be a decade of enormous technological advancements with AI, IoTs, robotics, electrification of transportation, renewable energy, and energy storage. All of these need a secure supply of the 35 critical materials as identified by the U.S. Government, including rare earths.

For now, the West is lucky to have Lynas Corporation, but clearly we need many more great critical materials miners and processors to help build up our severely damaged local supply chains.

As Jack said: *"this is a warning bell for everyone in the world."* Western leaders please listen and let's not get caught with our pants down!