

The Top 5 Rare Earths Companies for 2021

Looking ahead into 2021 ([click here](#) for the 2020 Year-in-Review in the Rare Earths market), first a quick review of 2020. Year-end 2020 market capitalization for the rare earths companies in the table below shows combined across all 26 companies listed, there was a total of almost CAD\$17 billion of market value at year-end. Three companies (MP Materials, Lynas Rare Earths and Iluka Resources Limited) dominated this statistic and accounted for almost CAD\$13 billion (approximately 75%) of the total value, making them all 600-pound gorillas – you can see the breakdown below:

Companies Ranked by Market Capitalization

		Ticker Symbol	Currency	Share price (local) Dec. 31, 2019	Share price (local) Dec. 31, 2020	Change in share price (%)	Market Cap (local) \$ millions	Market Cap (\$CAD) \$ millions
1	MP Materials Corp.	NYSE: MP	USD	\$9.910	\$32.170	225%	\$5,240	\$6,672
2	Lynas Rare Earths Limited	ASX: LYC	AUD	\$2.370	\$3.980	68%	\$3,580	\$3,521
3	Iluka Resources Limited	ASX: ILU	AUD	\$9.300	\$6.490	-30%	\$2,740	\$2,695
4	Australian Strategic Materials Ltd	ASX: ASM	AUD	\$1.250	\$6.410	413%	\$763	\$751
5	Energy Fuels Inc.	NYSE American: UUUU	USD	\$1.910	\$4.260	123%	\$540	\$688
		TSX: EFR	CAD	\$2.480	\$5.400	118%		
6	Neo Performance Materials Inc.	TSX: NEO	CAD	\$12.350	\$13.780	12%	\$514	\$514
7	Pensana Rare Earths PLC	ASX: PM8	AUD	\$0.175	\$1.940	1009%	\$394	\$387
		LSE:PRE	GBP	\$0.240	\$1.100	358%		
8	Greenland Minerals Limited	ASX: GGG	AUD	\$0.125	\$0.265	112%	\$355	\$349
9	Hastings Technology Metals Corp	ASX: HAS	AUD	\$0.115	\$0.170	48%	\$205	\$201
10	Texas Mineral Resources Corp	OTCQB: TMRC	USD	\$1.220	\$1.770	45%	\$130	\$166
11	Northern Minerals Ltd	ASX: NTU	AUD	\$0.061	\$0.035	-43%	\$155	\$153
12	Rare Elements Resources Ltd	OTCQB: REEMF	USD	\$0.920	\$1.075	17%	\$117	\$149
13	Arafura Resources Limited	ASX: ARU	AUD	\$0.091	\$0.125	37%	\$146	\$144
14	Peak Resources Ltd	ASX: PEK	AUD	\$0.040	\$0.067	68%	\$104	\$102
15	Rainbow Rare Earths Limited	LSE: RBW	GBP	\$3.150	\$10.750	241%	\$53	\$92
16	Vital Metals Limited	ASX: VML	AUD	\$0.013	\$0.032	146%	\$84	\$83
17	Leading Edge Materials Corp	TSXV: LEM	CAD	\$0.085	\$0.370	335%	\$57	\$57
18	Ucore Rare Metals Inc	TSXV: UCU	CAD	\$2.300	\$1.180	-49%	\$49	\$49
19	RareX Limited	ASX:REE	AUD	\$0.043	\$0.115	167%	\$47	\$46
20	Ionic Rare Earths Limited	ASX:IXR	AUD	\$0.009	\$0.017	89%	\$47	\$46
21	Avalon Advanced Materials Inc.	TSX: AVL	CAD	\$0.050	\$0.110	120%	\$38	\$38
		OTCQB: AVLNF	USD	\$0.042	\$0.088	110%		
22	Mkango Resources Ltd	TSXV: MKA	CAD	\$0.130	\$0.275	112%	\$37	\$37
		LSE: MKA	GBP	\$0.086	\$0.175	103%		
23	Appia Energy Corp.	CSE: API	CAD	\$0.155	\$0.405	161%	\$30	\$30
		OTCQB: APAAF	USD	\$0.124	\$0.313	152%		
24	Canada Rare Earth Corp.	TSXV: LL	CAD	\$0.065	\$0.100	54%	\$20	\$20
25	Search Minerals Inc.	TSXV: SMY	CAD	\$0.040	\$0.065	63%	\$17	\$17
26	Medallion Resources Ltd	TSXV: MDL	CAD	\$0.090	\$0.285	217%	\$17	\$17

Top Five Rare Earths for 2021

It would be too easy to simply pull off the top five companies by market cap from the table above. However, it is not just about market capitalization, despite one commonly held belief (the “efficient market hypothesis”) that market capitalization is the sum total of all factors and accounts for everything known and unknown.

In fact, there are many other factors to consider. Inefficiencies in the market have demonstrated this point, as

have other unknowns, which when brought to light, can cause a material change in share price (up or down). For example, despite the significant size of Iluka, their demerger of the company's former royalty business, Deterra Royalties, resulted in a significant reduction in share price and valuation.

So who do we really, really like for 2021? Our top five is below. Your picks may differ:

Number 1: (tied) Lynas Rare Earths (LYC: ASX) and MP Materials (NYSE: MP)

Number 2: Australian Strategic Materials (ASX: ASM)

Number 3: Neo Performance Materials (TSX: NEO)

Number 4: Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR)

Number 1 (tied): Lynas Rare Earths (LYC: ASX) and MP Materials (NYSE: MP)

Lynas Rare Earths is only one of two companies in the world who have rare earth processing capacity that is not located in China. Other companies are looking at significant investments to build more global processing capacity, but this will take time and hundreds of millions (if not billions) of dollars, never mind that ore supplies that are currently under contract to be processed in China. Lynas also recognizes this and has announced construction of additional rare earths processing centre in western Australia. Note that all of the Lynas processing capacity is currently located in Malaysia. Recall the issues that Lynas had before the facility was fully commissioned. While there is no reason to suspect future problems, we all know of the ongoing societal unrest in the country.

MP Materials is a recent return of the Mountain Pass rare earths mine to the space. The only rare earths mine in the US was recommissioned in 2017 after a storied history (anyone remember Molycorp?) of corporate intrigue and insolvency. Clearly, the public markets love the idea of Mountain Pass and

management's Stage II and Stage III plans, as the share price has rocketed to levels at which some analysts are calling a massive short. However, let your runners run, as MP Materials is one beneficiary of the US Government's determination to create a strategic critical metals reserve and MP Materials is in the game. A significant knock on the Mountain Pass mine however is that it produces none of the heavy rare earths, which are so critical for all of our technology nowadays. Secondly, the company is currently sending its' production to China for processing – problematic until the company can fund and deliver on their stated future expansion plans.

Number 2: Australian Strategic Materials Limited (ASX: ASM)

Created by a corporate demerger completed in July 2020, ASM came out of Alkane Resources as the company's directors sought to unlock shareholder value in the then-combined gold/rare earths company. The value creation has been very successful, with ASM's share price up by 400+% at year-end. The 100%-owned Dubbo rare earths project has been progressing very well, first under Alkane's guidance and recently in the stand-alone entity. With a resurging interest in the rare earths, investors are really getting interested.

A differentiating and key success factor for ASM is their strategy to take a larger part of the value chain to include production by ASM and partners of specific metals. It is more of a "mines to manufacturer" of critical metals than some other rare earths companies are targeting. Recent milestones include successfully producing a neodymium iron boron (NdFeB) alloy from a ferro-neodymium (FeNd) permanent magnet alloy which was also produced by ASM – no small feat. The company is certainly proving their technological capabilities! ASM is moving along a well-planned timeline to have the Dubbo rare earths mine in production in later 2023, including project financing which is expected to be concluded around mid 2021.

Number 3: Neo Performance Materials (TSX: NEO)

You can have the best project in the world, the cheapest extraction costs and be in the best markets, but the secret of every successful company boils down to just one thing – it is only ever about the people. In the case of Neo, I am of course referring to the fact that world-renowned rare earths executive, Constantine Karayannopoulos, took the helm as President and CEO at Neo in July 2020.

Notwithstanding, Neo has many things going for it, including the only other rare earths processing facility in the world that is not in China (it is located in Estonia). In addition, the company has 11 manufacturing facilities around the world and is a world leader in innovation and the production of permanent magnet powders, through its Magnaquench business unit. Neo has also been touted as a takeover target for MP Materials, as several Neo assets were once part of Molycorp, but with Neo's prospects, it is likely that the shareholder base would demand a massive premium to approve that transaction.

Number 4: Energy Fuels Inc. (NYSE American: UUUU | TSX: EFR)

Similarly a big picture thinker, CEO Mark Chalmers was a key participant in the drive for the establishment of a critical materials reserve of up to 35 strategic metals to be created in the US. Part and parcel of this is the company's 100% owned White Mesa Mill, which is licensed for 8 million pounds U308 per year and can process 2,000 tons of ore per day and is the only conventional uranium plus vanadium processing facility in the US. More importantly, in just nine months, the company pivoted to the rare earths sector and will be producing a rare earths concentrate from monazite ore sourced in the US. This will require only minor processing adjustments within the White Mesa Mill with relatively minimal capital costs, with first product expected to be produced in Q1/21.

Going forward, Energy Fuels is engaged with a number of leading rare earths industry experts across a broad spectrum

to advise the company on the rare earths segments including a technical agreement with Neo Performance Materials, a US Department of Energy contract (along with Penn State University) for the recovery of rare earths from coal. The company is also working with noted rare earths industry expert Jack Lifton.

Your next top companies are.....?

It is going to be very interesting to see what happens outside of the top five. Names to watch include Arafura Resources, Vital Metals and especially Pensana Rare Earths, with a shout-out to Appia Energy, Search Minerals and RareX Limited for reasons I will be writing about shortly. We are not a fan of Greenland Minerals for a couple of obvious reasons...both country related.

Good luck and hang on – it's going to be a very interesting year!