

Lifton on the Rare Earth and Technology Metals Bull Run Alert.

☒ *Harvesting the Value from the Market-Critical Rare Earths*

Small investors alert: I think that in the middle of financial headline themes like “The End of the Commodity Supercycle” or “The Chinese Financial Meltdown” It looks as if the professional investors in the market are reacting to the news of the consolidation and modernization of the domestic Chinese rare earths supply chain by actually trying to understand it and its implications for the future of rare earth supply AND demand. This I believe is the reason that they are focusing their interest on the best of the rare earth juniors, which the market’s rise is defining as those with deposits of rare earths predominantly used in the manufacture of rare earth permanent magnets, phosphors, optical glasses, and lasers. It is the perception of increasing CONSUMER demand for all of those rare earth enabled devices globally plus taking note of the actual (dramatic, in the case of rare earth permanent magnets) increase in demand in the Chinese domestic market coupled with China’s looming inability to produce enough of these market-critical rare earths, **MCREs**, even for its domestic consumer demand that has focused Wall Street, Bay Street, How Street, and The City of London on those juniors that

1. Have already or are closing in on the publication of **bankable feasibility studies**,
2. Have a plan to produce downstream products at a point where such products make their entire participation in the supply chain to that point **profitable**,
3. Are working **deposits that are principally MCREs**,
4. Have **excellent technical management**,

5. Have **an end-product** (of their business model) **marketing plan**, and
6. Are working on separation of the individual rare earths by
 1. **Advanced LOWER CAPEX/OPEX traditional technology (SX)**, or
 2. **MRT**, or
 3. **CIC/CIX**

I first thought two weeks ago when Molycorp shares were at first dramatically tanking and then started to rise that it was a battle among Molycorp shareholder groups that didn't want it delisted, which event would then ensure bankruptcy, and short term financial manipulators such as short sellers. I thought that the best of the rare earth juniors that meet my above metrics were just being swept in a rising tide. But in the last week it has become obvious that there is much more at work here.

Among the factors driving the revival of interest in junior rare earth ventures are:

1. **The restructuring of the Chinese rare earth industry** putting it under the ABSOLUTE control of the central government,
2. **The recognition that China's economic problems PROMISE that CHAOS** is LIKELY with regard to the global supply of any resource controlled by the Chinese government especially one such as the **MCREs** for which **Chinese domestic demand is THE CONTROLLING FACTOR** around which iyt's (currently the world's) supply will be planned!!!
3. A recognition that the sale of only marginally changed and more and more expensive consumer devices such as iPhones, iPads, and Macs, for example, cannot be sustained in any economy where the middle class is shrinking, so that the future of this type of device will be controlled by low cost producers who also have access to MCREs. Apple has already admitted that its

strategy is to focus on areas with high GDP and PPP growth by its “re-set” to the Asian market as its primary sales target. But even Apple, a behemoth of supply chain maintenance, could not foresee or control political and economic events in China.

To continue to have them we must immediately manufacture rare earth enabled components for our domestic markets. We will need to reshore not only component manufacturing industries but EVEN BEFORE THAT to also secure supplies of the MCREs. It seems to me that the prices for MCREs may be lower here than in China by 2020. In that event Chinese component manufacturers may consider moving MCRE dependent operations to the USA as Chinese automotive component manufacturers already have begun to do (in their case for logistical reasons as well as for access to American intellectual and CREDIT markets!)

1. Recognition that Chinese rare earth supply chain operations such as Shenghe (Mine to magnet) are ALREADY issuing real off-takes to non-Chinese official (not spot market) sources; that Chinese refiners are seeking j/v customers for technology licensing outside of China, and that the Chinese government’s hostility indicated by its bureaucratic interference until now to outsourcing rare earth processing and even mining is changing rapidly.

Look at the chart below and filter it for the BEST MCRE producers. If it were a horse race the little guys would be lining up at the two dollar window, because the big guys are already jammed around the 100 dollar window. Note that some companies are not listed on exchanges in North America, such as Tantalus, but are already on Chinese radar.

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The FINANCIAL markets rate companies by market capitalization

metrics, but before you make an investment decision think about adding to the basis for your investment decisions some or ALL of the above selection metrics for the BEST of the juniors. Above all think about the demand from the point of view only of **MCREs!**