

# The death of rare earths, like Mark Twain's demise, has been greatly exaggerated

Is the rare earths sector teetering, as Reuters says? Their Asian mining correspondent, Sonali Paul, clearly thinks so, pointing out the problems at Lynas and Molycorp. And the headline on the report claims that "Rare earths industry teeters as Australia's Lynas heads to full ramp-up". She throws in the claim that "around 200 rival mine projects in Alaska, Canada, Sweden, Kyrgyzstan, South Africa and Western Australia have been left on the drawing board as investors, lenders and manufacturers watch and wait".

Really?

On April 8 Tasman Metals announced it was beginning its pre-feasibility study on the Norra Karr heavy rare earths project in Sweden. That sounds as if it has proceeded just a tad beyond the drawing board. This week Arafura Resources appointed Sheng Kang Ning Mining Investment Co to assist with the management of the completion of the Nolans definitive feasibility study. (Note to Reuters: a DFS is way, way beyond the drawing board.) And Northern Minerals, which has long had a resource figure established, has issued a pre feasibility study which claims the company has the potential to be the first non-China significant dysprosium producer (279,000kg a year). Also in Australia, Hastings Rare Metals has recently completed drilling at Yangibana and was about to start at its Hastings project. The sounds like getting on with things. Certainly Alkane Resources is pressing on and has set out a timetable to begin near-term development at Dubbo.



These are just a few examples; readers will have their favourites which they can cite as up and comers.

The Reuters report (you can read it in full on the Investor Intel news feed) was based on the move by Lynas of its head office to Malaysia, and went on to say that Lynas and Molycorp, as the only two substantial non-China producers, will be closely watched as they ramp up to full production.

Yes, the rare earths miracle of which so many were convinced in 2011 (including most of the general media) has been shattered.

But down and out? Hardly. Just as the general media climbed aboard the REE express at the height of the frenzy three years ago, portraying rare earths as the miraculous 17 elements that were vital to all our modern gizmos, now it seems they are wringing their collective hands and foreseeing tough times. Well, perhaps, but the Lynas and Molycorp experiences are hardly (a) indicative of the sector as a whole or (b) that surprising given what has happened to the market, especially with those companies relying on the lower value lights..

But to the insist that the sector is basically paralysed is simply not the case, as the above examples above demonstrate. And as for investors sitting on their hands, Hastings Rare Metals has just raised A\$2,815,035 through a rights issue, shareholders taking up 86.3% of the stock offered. Today Wang Yu Huei of Asian Dragon Acquisitions has become a substantial shareholder with 7.3% of Hastings.

Even if Lynas and Molycorp are faced with further delays and problems, that does not doom the sector as a whole. You cannot extrapolate from companies mining light rare earths to those, for example, which have a suite containing high values of elements such as dysprosium or yttrium.

Apart from that, all mining projects face unexpected challenges in their development stages and even while in

production. In the 1990s we had the collapse of several laterite nickel players who faced metallurgical problems. But since then a number of laterite mines have been developed (admittedly rarely on schedule).

A collapse in prices that causes the problems in rare earths we are now seeing does not of itself condemn the rare earths story as a vital cog in technological development. Indeed, it may slow down efforts at substitution. As for unintended consequences, the move by the U.S. and Japan to take China to the World Trade Organisation as it stands means China might not be able to go charging premiums to non-Chinese buyers. That alone sliced about 10% off the price of many elements.

No one denies that the sector has taken a real hammering. But it certainly has not been stopped in its tracks. The reality is somewhat more subtle than the industry teetering.