Medallion’s strategy to challenge rare earth industry status quo

Rare earth elements (REEs) are not rare; however, being able to produce them in an economically viable manner is. **Medallion Resources Ltd.** (TSXV: MDL | OTCQX: MLLOF) is a propitious rare earth elements company with a decidedly different approach to REE production. Led by veteran geologist and preeminent REE industry expert, Chairman and CEO Dr. William Bird, Medallion is focused on straightforward, low-cost, near-term, rare earth production by processing monazite. Widely available as a byproduct from numerous mining and mineral-sands sources, monazite is a rare earth phosphate mineral – containing anywhere from 50% to 60% rare earths and one of only two minerals that have ever economically produced rare earth elements. Presently, Vancouver-based Medallion Resources is advancing its rare earths extraction project in the Sultanate of Oman (an Arab state in southwest Asia on the southeast coast of the Arabian Peninsula, bordering the Arabian Sea), with an ambitious early 2016 timeframe for the commissioning and start-up of the facility. In short, Medallion’s production
strategy is to capitalize on the copious supplies of monazite byproduct from heavy mineral-sands mines in the Indian Ocean basin in order to extract and produce significant quantities of rare earth products. President Don Lay is currently negotiating Medallion’s initial long-term monazite acquisition agreement.

Medallion’s strategy is challenging the REE industry’s status quo; and the strength of the company’s two regional partners clearly underscores a strong desire for REE production in the Gulf region. In June, Medallion announced the signing of a Memorandum of Understanding (MoU) with Takamul Investment Company, a subsidiary of the government-owned Oman Oil Company, to assess the feasibility of developing and operating the project – to import monazite feedstock and produce rare-earth products at a proposed large-scale monazite-processing facility – in the country’s emerging industrial coastal city of Duqm, Oman. Specifically, at Duqm’s incentivized Special Economic Zone (SEZAD). Both companies have entered into a joint-venture agreement (Medallion 60%; Takamul 40%) and are currently evaluating the proposed project’s feasibility. Medallion’s Rare Earth Project is described as a low CAPEX/OPEX, state-of-the-art REE extraction plant, capable of producing a concentrate containing 10,000 tonnes of rare earth oxides annually. In July, Medallion announced the signing of another MoU with Arab Mining Company – a Jordan-based, Pan-Arab mining-industry investment firm, jointly owned by 11 governments and 4 government corporations of the Arab League nations – for development and financing. The MoU grants Arab Mining the exclusive right to negotiate terms to invest or participate in a joint venture, controlled and majority-owned by Medallion, which will focus on rare earth production and processing opportunities within the Arab League nations, including the proposed rare earth processing facility in Duqm.
As opposed to conventional hard-rock REE miners, Medallion is not going to mine rare earths. Tremendous quantities of monazite are concentrated as a byproduct during heavy mineral sand processing and are normally discarded as waste. Major heavy mineral-sands producers are typically focused on titanium and zircon and are not normally interested in rare earth processing (as rare earths involve chemical rather than physical processing). But what may be considered waste to others is valuable to Medallion. Utilizing monazite byproduct as feedstock allows Medallion to bypass the inherent risks associated with complicated and expensive processes in developing new REE mining operations. In a sense, it’s almost as if Medallion is playing outside the mining space altogether. Dr. Bird and his world-class team are exclusively targeting the processing aspect of the REE business and, therefore, is more of a chemical processing play than a conventional hard-rock mining REE play (meaning, it doesn’t involve exploration and drilling). Medallion does not have to
make a case for the quality of its minerals’ grade, scoping studies, cushioning the cost of exploration preliminaries that absorb so much of today’s incredibly limited project financing availability, etc. The distinct advantage for Medallion is that by aggregating large mineral supplies from within the Indian Ocean basin, its monazite feed material would be inexpensive and plentiful. The metallurgy for producing REEs from monazite is simple, well understood, proven and cost effective.

Why Oman? Oman provides Medallion an exceptionally stable political and social environment with excellent infrastructure and strategic geography in the Arabian Peninsula. The country has long-standing military and political ties with the US and the United Kingdom. Oman’s laws facilitate foreign investment, especially in the field of technology, transportation, electricity, and water. Unlike many Gulf and North African petro-dollar fueled economies, Oman has instituted a transparent investment climate, which reduces risks for foreign companies interested in doing business. This is very important now that many corporations face increased shareholder scrutiny on matters of corporate sustainability. There are also Free Zones, offering financial incentives for investors and tax and customs tax. Oil and gas still account for 40% of GDP, but thanks to a determined economic diversification policy, that share is decreasing as new industrial and economic avenues are being pursued. Logistically, Medallion’s operations will be within proximity to multiple sources of countries producing over 50,000 tonnes of monazite per year.

The more one understands and appreciates the complex dynamics of the rare earths industry – recognizing that REEs are vitally important commodities; an industry whose growth is typically 5% to 8% per year (with uses in high-tech magnets, green-energy technologies, electronics, phosphors, and a wide variety of other high-tech applications); and that the Chinese
dominate this space and are tightening/restricting supply — the more attractive Medallion looks. It is critically important for the rest of the world to develop REE supply to address the near-term shortage of rare earths.

Medallion’s approach differs from others in the space in that the company intends to use existing metallurgical processes (mitigating technical risks associated with processing complications) and utilizes readily available large-scale supplies of monazite to facilitate long-term, low-cost production of rare earths in the near term. Not only does Medallion present a potentially compelling investment opportunity, the company may very well provide a viable alternative for the REE industry. Backed by its sovereign-funded partners, Medallion is positioned to fast track to production and ‘reset the global REE marketplace’.