

No matter a bidding war or the trade war, Lynas set to benefit

Called the technology metals for good reason, rare earth elements (REE) touch every part of our lives. Our smartphones, our cars, and most of our electronic gadgets use rare earths. Rare earths have become essential in modern living, yet China dominates global rare earth production with 80-90% market share. The US-China trade war has renewed interest in the sector as we await China's response to the latest US tariff hike threat. If China were to ban rare earths to the US, then one non-Chinese rare earth producer would be the clear winner, especially if rare earth prices surge. That company is Lynas Corporation.

[Lynas Corporation Limited](#) (ASX: LYC) is the world's [second-largest](#) supplier of rare earth materials. Most importantly they are not based in China but have their Mt Weld mine in Australia and their processing plant in Malaysia.

Initially processed at the Mt Weld Concentration Plant, the materials are shipped to the industrial port of Kuantan in Malaysia, where they are then transported to the nearby 100 hectares Lynas Advanced Materials Plant. There a complex series of refining and concentration operations are undertaken to produce high-quality rare earth minerals.

The Malaysian Government renews Lynas' license

This past week the Malaysia government [renewed the operating license](#) for Lynas Corp.'s rare earths processing plant in Kuantan Malaysia, where the Company has been processing since 2012. The operating license will be for six months with new conditions that include, Lynas having to identify a site for a permanent storage facility for its low level radioactive waste

within the six month period, or find a country willing to consent to take the waste. Australia has already stated they will not accept the waste but Lynas has said it was confident they would be able to satisfy this requirement.

Chief Executive Officer and Managing Director, Amanda Lacaze said: “We are optimistic that this decision will bring an end to the politicization of Lynas over the past year.”

The Lynas Corporation Advanced Material Plant in Malaysia



Lynas Corporation has joined the United Nations Global Compact

Australian listed Lynas Corporation is the only major proven producer of rare earths outside China and leads the rare earths industry with its commitment to sustainability and mine to magnet traceability. Alongside 13,000 other participants [across all industries](#), Lynas has joined the United Nations Global Compact. This is the world’s largest corporate sustainability initiative that is dedicated to aligning operations with universal principals on human rights, labor, environment and anti-corruption.

CEO, Amanda Lacaze adds: "We are delighted to become members of the UN Global Compact and to formalize our commitment to its principles. Lynas is recognized as a leading supplier of sustainable rare earths and our customers value the environmental standards and social provenance our rare earth materials provide."

Aerial view of Mt Weld, Western Australia



China dominates the rare earth market

The need for rare earths cannot be understated as they are essential to both military and technological electronic needs for the modern age. For years China has been processing rare earths to the point they now dominate global production. With the continuous growing demand in the China consumer market there are fears that they could keep rare earths for their own needs. This is alarming for the US as many REEs are required for military magnets and clean energy applications. Specialist rare earths like neodymium and praseodymium have hit the spotlight particularly as electric vehicles and hybrid cars gain popularity. In 2018 the rare earths group was included on the [US list of 35 critical elements](#).

Lynas Corporation takeover offers rejected

In 2009 Lynas was offered \$252 million by a Chinese state

owned mining group for a 51.6% stake in the Company; however, Australia's Foreign Investment Review Board halted the deal on concerns it would threaten supply to non Chinese buyers. Lynas Corporation has recently been the subject of a takeover offer when back in April 2019 Wesfarmers Ltd. offered [A\\$1.5 billion](#) to buy the Company. Lynas rejected the bid but there is still high interest in Lynas given the enormous costs (typically >US\$ 1 to 1.5 billion) to set up a sizeable rare earths mine and processing facility. Given the recent Malaysian Government license renewal, Lynas Corporation is looking in an even stronger position. No matter a bidding war or the trade war, Lynas looks set to benefit in the near term.