

Lynas gearing up to strengthen its rare earths foothold in the USA

written by InvestorNews | August 14, 2023

Australia's Lynas Rare Earths Limited (ASX: LYC), the premier producer of rare earths outside China, finds itself at a crossroads as it navigates geopolitical and industry shifts. The company's future in Malaysia remains uncertain as Kuala Lumpur reviews its stance on operations resulting in radioactive by-products. Notably, Malaysia's operational advantages lie in its strategic location and lowered production costs, offering a competitive edge over alternatives in Texas. The latter location, although attractive, poses challenges like potential "rare earth tourism."

Lynas Bets \$500 Million on Rare Earths Market Expansion

written by Melissa (Mel) Sanderson | August 14, 2023

[Lynas Rare Earths Ltd.](#)'s (ASX: LYC) August 3 [announcement](#) that it will invest an additional \$500 million to rewrite its own already aggressive growth plan is risky, sure, but then, when it comes to rare earths, what isn't? Managing Director Amanda Lacaze appears to be reading the demand-pull market for Lynas' main products, neodymium (Nd) and praseodymium (Pr), as further accelerating, despite some hits to the "green" economy from the

war in Ukraine. There are sound reasons supporting such a view, including the commitments by EU auto manufacturers to cease all gasoline production by 2025 and recent (surprising) political developments in the US, especially passage of the CHIPS Act (supporting redevelopment of a US-based semiconductor industry) and the current [Inflation Reduction Act](#) (also known as Build Back Better in disguise) likely to be approved this week by the House of Representatives and signed quickly by President Biden.

Lynas is particularly well-positioned to benefit from this latest legislation as it already has two agreements with the US Department of Defense for construction of two separation plants: a \$30 million light rare earths plant (deal signed in January 2022) and also in June a [\\$120 million deal](#) for a heavy RE plant. This in addition to Japan's ongoing demand, a not insignificant factor as Lynas self-identifies as controlling 80% of that market.

So, if all looks positive on the demand, where are the risks? Well, unvarnished success will require the split-second timing of a juggler. Expanding output at Mt. Weld should be a green light: the deposit and its characteristics are well known and should present few obstacles to an experienced team (with the usual caveats about the weather which these days can be a real Devil).

But, there is a problem with Malaysia. Despite winning an unprecedented two EcoVadis awards, political and public concerns about radioactive materials led the Malaysian government to refuse to extend Lynas' cracking and leaching permits. (ESG Comment: this goes to show how history haunts even companies who had nothing to do with previous problems, and how hard it can be to gain and retain trust.)

Lynas announced in February of this year that it has received

[Ministerial approval](#) for its Kalgoorlie rare earth processing facility, clearing the way for construction to begin. This new facility will strip and store the radioactive elements (uranium and thorium) and then ship the “clean” material to Malaysia for final processing. Thus the timing issue. If the processing plant can be constructed in record time with no unexpected issues, it could dovetail nicely with the increased output from the mine. Otherwise, lower through-put or possibly storage of mined materials could be necessary, providing a cost hit. And even if the timing is impeccable, there will be some increased product cost due to shipping to and processing at Kalgoorlie and then onwards to Malaysia.

Nonetheless, kudos to Lynas for a bold move, going for market share in a booming market with positive political signals and economic momentum. As Christopher Ecclestone said to InvestorIntel: “Lynas just goes to show that it is a doer when so many others are just talkers in the Rare Earth space.”

Lynas Continues Its Reign Under Amanda The Great

written by Tracy Weslosky | August 14, 2023

Look online, and you will discover that while [Lynas Rare Earths Ltd.](#) (ASX: LYC) is covered by 9 research companies, it is impossible to find one PDF Equity Research Report online. For Australian-listed companies, sometimes they publish the reports on their website; unfortunately, not for Lynas.

Dig deeper online and you may see a [headline](#) about whether Lynas

has too much debt... these conclusions are in my humble opinion quite wrong, and underestimate this rare earths' ruler outside of China, Amanda Lacaze.

I ran my conclusions by a semi-retired analyst, who requested anonymity and wrote me back promptly in agreement: "Saw their balance sheet and they are running just over 1x debt: cash flow and their cash flow is strong based on growing sales and commodity prices."

The media loves to tout Chinese control of rare earths, but it is a woman with an iron fist that rules the rare earths world. Proud of how she likes to watch the pennies, it is unquestionably the reason why she has held the role as a Non-Executive Director for ING Bank Australia Ltd. for over 11 years.

Now let's start with some prenuptial notes on Lynas, before you decide to make a commitment to this industry giant.

[Lynas Rare Earths Ltd.](#) is listed on the Australian Securities Exchange (ASX: LYC). The company also has a sponsored Level 1 American Depositary Receipt (ADR) program through the Bank of New York Mellon (Code: LYSDY). On June 6 (Australia), the shares closed at AUD\$ 9.35. There 902.4 million shares outstanding, giving the company a market capitalization of approximately AUD\$8.4 billion (US\$6.1 billion. At December 31, 2021, Lynas reported six month results including AUD\$741.7 million positive working capital (including AUD\$674 of cash and short term deposits) and AUD\$156 million long term debt. Cash and short term deposits increased to AUD\$768.4 at March 31, 2022.

Lynas' quarter ended March 31, 2022, had the following highlights:

- All necessary approvals received for the Kalgoorlie Rare

Earth Processing Facility (Australia based processing facility)

- Site clearing of the Kalgoorlie facility location is complete
- Delivery of major equipment to Kalgoorlie site with foundation and building work underway
- Kalgoorlie should be on track as part of the company's 2025 Foundation Project program
- Planning is underway for the US Rare Earths Processing Facility including contracts signed with the US Department of Defense
- Record quarter for operations including:
 - Sales revenue of AUD\$ 327.2 million (AUD\$ 202.7 million previous quarter)
 - Sales receipts of AUD\$ 262 million (AUD\$151 million previous quarter)
 - Total REO production of 4,945 tonnes (4,209 tonnes previous quarter)
 - NdPr production of 1,687 tonnes (1,359 tonnes previous quarter)
- Lynas noted quarterly price strength for NdPr contributed to record financial results
- Automotive demand for rare earths "remains strong"
- Exploration drilling under the existing Mt. Weld extraction pit revealed continuous rare earth element mineralization along 1,020 metres of drill core. Further targeted exploration is to be conducted "with the goal of meeting accelerating customer demand".
- The company targets to be operating four sites in three countries with global sales in 2025

Having heard Amanda speak on several occasions in her early role as Managing Director nearly eight years ago, I recall believing that her reign would be short-lived. Her valiant commitment to the bottom line above all else seemed conservative and backward

compared to the charismatic marketing styles of other leaders I quite like in the market. Commenting that weekly meetings would necessitate accountability for every dime spent, seemed dismal and droll to me, it seems, however, she was quite right.

As down winds from the recession are upon us, or gales of a correction are indeed in full force, I look to the critical materials sector for which many experts harbor no fears. And with the demand for rare earths continuing to exceed supply, it seems that the noble Australian woman whose fearless tactics took me by surprise is now the one championing it all.