

# Core Consultants' Rare Earth Report: SRB stockpiling ends in stalemate

Core Consultants has published its July issue of the Monthly Rare Earth Report. The main topics discussed in this feature include:

- Potential for new round of stockpiling
- SuperLig®-One plant successful
- India to develop rare earth to further defence industry

The last round of stockpiling ended in a stalemate. The SRB were unable to procure material at their target price owing to artificially inflated offer prices. The expectations are that the SRB will try again to purchase the remaining material in July. We understand that there are roughly 1,270 tonnes that remains to be bought in order for the state reserve to fulfil its target of 3,870 tonnes. Prices have now begun to normalise and, given that the SRB has now established a reputation that it refuses to overpay for stock, prices are unlikely to increase during the next round of purchases.

Outside of China, Ucore has been working on a pilot plant to separate rare earths using Molecular Recognition Technology (MRT). During the month, the pilot test successfully separated a rare earth mixture into heavy and light material with over a 99.99% purity. The next phase will determine whether the technology is able to separate the heavy rare earths into its individual constituents, starting with dysprosium. If successful, this would represent a breakthrough in rare earth smelting. The potential for this technology could be to offer a cost-effective alternative to separating these materials in China.

India is looking to develop its rare earth industry in order

to support its growing defence sector. Last month we reported that the Indian Government was seeking to amend its Atomic Mineral Concession Rules to enable private investors to develop the country's monazite resources. The areas for development have now been reserved.

The Indian defence budget is set to increase by 8% y.o.y and the Modi plan is to develop India as a manufacturing hub for missile guidance systems and other optical instruments. As such the development of its rare earth reserves, along with its thorium and uranium deposits is regarded as an integral part of the country's plan.

With respect to the end user market, the International Energy Agency (IEA) released its report revealing that electric cars now stand at 1 million vehicles and is expected to reach 1.26 million (+26% y.o.y ) by the end of the year. While the penetration rates of electric vehicles are still relatively small, below 0.1% in most countries, incentives are expected to expand, which should see upward pressure on demand.

Last month we discussed that the EU was focused on recycling permanent magnets from hard discs. This trend towards supporting recycling projects is expected to continue as the European Commission has stressed the importance of developing their 'closed loop' business models. To this end, the Prius hybrid vehicle is now reaching the ten year mark and the end of its useful life. Around 1kg of rare earth magnets is contained in each of these vehicles and we expect that recycling HEV's will be the next round of recycling firms to receive grants and funding.

Looking at prices, we expect that prices across the board ( heavy, light, FOB, domestic) will remain more or less stable, with a slight downward bias (-1%) between now and the end of the summer period. In so far as the export market is concerned, we do not expect much in the way of buying activity until the end of the summer period in late August/September.