

China may be a good Bond villain, but rare earths experts are skeptical it's behind smear campaign

written by Stephen Lautens | June 30, 2022

In this [video](#), InvestorIntel panelists rare earths experts Jack Lifton, Tracy Weslosky and Christopher Ecclestone express their skepticism at [a report released yesterday](#) that alleges a co-ordinated social media campaign out of China targeted the Australian rare earths mining company, [Lynas Rare Earths Ltd.](#) (ASX: LYC), with tweets and Facebook posts criticizing its alleged environmental record and calling for protests of its planned rare earths processing facility in Texas.

While the story has been [picked up by mainstream and industry media](#), a deeper dive makes it look increasingly unlikely that this “campaign” was, as claimed, part of a Chinese effort to undermine foreign attempts to develop a rare earths processing capability outside of China and maintain China’s current dominance. While China makes a good James Bond villain in western politics and the popular press, a look at the evidence doesn’t necessarily point in their direction as the main movers in this case. For people familiar with online campaigns, this one attributed to China’s influence campaign known as DRAGONBRIDGE seems particularly weak and unfocused. The campaign and its associated hashtags never trended on Twitter, which is unfortunately all too easy to do with modern botfarms and technology.

Some tweets came out of China or were posted in Chinese, but that doesn’t a conspiracy make. A look at the tweets indicates

some of them came from newly-created, zero-follower accounts, which is not the way to get something trending. China has much greater cyberwarfare capabilities than shown in this example. If anything, it is more reminiscent of anti-mining environmental activist campaigns that are a part of life for many mining companies. These can be co-ordinated by small but dedicated groups of activists unhappy with a company's environmental or human rights records, real or perceived. In order to rise above the noise of social media, they often use multiple accounts and contacts with other groups to look larger than they are to increase their influence. The brief online campaign against Lynas – especially tweets from Malaysia where Lynas has a rare earths plant – looks far more like that than it does a co-ordinated attack by the Chinese cybersecurity forces.

Could the Chinese government have paid brief attention and contributed a few gratuitous kicks to a social media campaign that gave Lynas a poke? Possibly. We know that for years Russia has waged a disruptive social media war in the US and other western countries simply to make trouble, often working both sides of an issue to cause instability. The media has breathlessly [connected the dots](#) between China and the recent announcement that the US Department of Defense is increasing funding of Lynas's rare earths facility in Texas. It is hard to believe that the Chinese cyberwarfare establishment thinks that they can undo \$120 million in strategic funding by the DoD with a few tweets.

The Mandiant report also says that in June Chinese DRAGONBRIDGE social media accounts began targeting two other rare earths companies – the Canadian rare earths mining company [Appia Rare Earths](#) & Uranium Corp. (CSE: API | OTCQB: APAAF) a company well known to InvestorIntel, and the American rare earths supplier USA Rare Earth LLC. One has to wonder about the thinking behind choosing these targets if this is a co-ordinated campaign.

Attacking them is hardly going to ensure Chinese dominance in the rare earths space, which makes the whole Chinese conspiracy theory fall apart.

“Cui bono?” – Who benefits? That was the question Roman judge Lucius Cassius asked in difficult cases. The benefit to China is negligible to non-existent. The West will continue to search for domestic rare earths and develop processing facilities. Will some company, analyst or investor group benefit from an attempt at bad press or stock slippage? Or is it a social media campaign by a handful unhappy activists groups that jump on an anti-mining bandwagon that ultimately goes nowhere, even with a couple of half-hearted contributions from China?

And unless you think that I am naïve, I worked on Chinese projects with Chinese partners for over a decade. China has – to say the least – a unique way of doing business. We have seen them attempt to exert influence to gain economic advantage around the world, however I have seen Connecticut hedge funds do the same and worse. But these kinds of campaigns out of China – like the brutal one to release Meng Wanzhou, the CFO for Chinese telecom giant Huawei, that included taking Canadian hostages in addition to a social media campaign – are waged skillfully and with a purpose. It is hard to see any of that skill or purpose in this case.

DoD awards Australia's Lynas

\$120 million to build a heavy rare earths facility in the USA: I have questions

written by Jack Lifton | June 30, 2022

Updated June 28, 2022: Lynas' Managing Director Amanda Lacaze provides answers below

I was intrigued last week when the U.S. Department of Defense (DoD) made [the announcement](#) that it had awarded US\$120 million to [Lynas Rare Earths Ltd.](#) (ASX: LYC) to build a 3-5 kta heavy rare earth separation system in the USA. This is in addition to the \$30 million the DoD awarded to Lynas (to be matched by Lynas) in February 2021, for the same thing. My guess is that since Lynas built and operates the world's largest light rare earth separation system in Malaysia where it processes ore from its Mt. Weld Australia monazite mine (the world's largest worked deposit of monazite), it seemed like an easy decision for the DoD, provided it was prepared to overlook the skills of the domestic American market and the mandate to buy American and reshore.

But, since the DoD had already agreed to provide US\$30 million of an estimated (by Lynas) US\$60 million to build such a facility in Texas, why, I asked myself was an additional US\$120 million necessary?

So, I drafted a set of questions for Lynas, the answers to which would be particularly important in a due diligence study for the

project, in case the DoD either did not do a due diligence (my guess) or would not publicly answer the same questions citing national security concerns, or some such nonsense.

Here are the questions I sent to Lynas at the beginning of this week:

1. What is the project's location?
2. What is the detailed CAPEX and the estimated OPEX for the system?
3. When will the permitting be finished?
4. Is the plant design finished (It would have to be for the permitting to be finalized)?
5. What is the timeline for construction and first output?
6. What exactly will be the composition of the plant's output in individual rare earths and tonnages of each, and when will the (nameplate) target capacities be reached?
7. Will the costs per KG of each individual rare earth and blend be competitive with the Chinese costs?
8. Will the US DoD be the only customer?
9. Will any of the heavy rare earths be consigned to specific metal/alloy/magnet makers? and,
10. From where, exactly, will the feedstocks be sourced?

Question number 10 is extremely important since there is today no commercial production of heavy rare earths outside of China. Also of note is the fact that Lynas has never commercially produced any separated individual heavy rare earths, nor is its Malaysian plant equipped to do so.

I am awaiting a reply to these questions from Lynas, but I will let you know when I get them.

Publisher's Update:

In response to the above questions InvestorIntel editor Jack

Lifton received the following answers by email from Amanda Lacaze, Managing Director of Lynas on June 27, 2022:

1. What is the project's location?

Following a detailed site selection process, the facility is expected to be located within an existing industrial area on the Gulf Coast of the State of Texas.

Texas is an excellent location from which to serve our U.S. customers and support the U.S. government's moves to strengthen its industrial base and make supply chains more resilient through a diversified supply.

2. When will the permitting be finished? / Is the plant design finished? / What is the timeline for construction and first output?

The design of the Heavy Rare Earths plant was completed as part of the Phase 1 contract. The construction timeline will be confirmed following the completion of detailed engineering and planning. The plant is targeted to be operational in financial year 2025.

3. What exactly will be the composition of the plant's output in individual rare earths and tonnages of each?

A typical Heavy Rare Earths separation facility of this type would produce between 2500-3000 tonnes of heavy rare earths per year. We would expect our Heavy Rare Earths production to be in this range.

We have publicly stated our expectation that the Light Rare Earths plant will produce approximately 5,000 tonnes per year of Rare Earths products, including approximately 1,250 tonnes per year of NdPr.

4. Will the US Department of Defense be the only customer?

This will be a commercial facility and will be designed to serve both the U.S Defense Industrial Base and commercial manufacturers.

5. Will any of the heavy rare earths be consigned to specific metal/alloy/magnet makers?

This facility is a positive step towards reinvigorating the domestic Rare Earths market, and we will work to encourage investment in value-added downstream processes including metal and magnet making.

6. From where, exactly, will the feedstocks be sourced?

Feedstock for the facility will be a mixed Rare Earths carbonate produced from material sourced at the Lynas mine in Mt Weld, Western Australia. Lynas is building a new Rare Earths Processing Facility in Kalgoorlie to process the Rare Earth concentrate from Mt Weld. The material produced in Kalgoorlie will be further processed at the new Rare Earths separation facility in the United States. Lynas will also work with potential 3rd party providers to source other suitable feedstocks as they become available.

**Jack Lifton on Defense
Department's \$2 billion**

spending budget for rare earths

written by InvestorNews | June 30, 2022

“The US Defense Department has announced last week that it will seek \$1.7 billion for rare earths purchases in the 2021 National Defense Authorization Act that means the budget for fiscal 2021. In addition they will ask for another \$300 million, a total of \$2 billion, for rare earths for specialized weapons which they name as hypersonic missiles...This I believe explains some of the mystery of the last month where everybody had been speculating on why the Defense Department made a couple of awards to study the building of rare earths separation plants and then put those awards on hold.” States critical materials expert Jack Lifton, in an interview with the Technology Metals Show hostess Tracy Weslosky.

Jack continued, “Based on my experience on Washington DC I think that announcements such as we are going to use \$2 billion to purchase rare earths related materials are not necessarily discussed with the same people who issue small awards... Such decisions for billion of dollars are made in the White House, they are not made at the local level.”

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