

Professor Dudley Kingsnorth's bullish position on REE markets



August 7, 2013 – Tracy Weslosky, Publisher and CEO of **InvestorIntel.com**, interviews world-renowned REE guru, **Professor Dudley J. Kingsnorth**, for his perspective on where the REE markets are at and, more

importantly, where they're headed.

Professor Kingsnorth apprises InvestorIntel viewers on both **Lynas Corporation Limited** (ASX: LYC) and Colorado's **Molycorp, Inc.** (NYSE: MCP) and how these two companies, in particular, have impacted rare-earth forecasts.

"For the past 12 to 15 months we've been waiting for Lynas and Molycorp to finally 'trip the switch' and start producing rare earths," explains Kingsnorth. *"That's happening now and I believe this is going to lead to a great rejuvenation and rebirth of the rare-earths industry. Things are going to change with Molycorp and Lynas coming online. We are now going to have diversity in supply that we haven't had in 15 years."*

"All the money that's being invested in finding alternatives to rare earths, in my opinion, within the next three to four months, is going to revert to finding new applications for rare earths. I believe that Lynas and Molycorp are going to surprise us with some of the volumes they're producing – and selling – over the next six to 12 months because there is a lot of support for alternatives to China."

Commenting on the recently released **J.P. Morgan** rare-earth research report that had REE analysts' forecasts -30% lower

than Professor Kingnorth's forecasts, he stated: "I watch the rare-earth market fairly closely – and I talk to **both the end users and the producers**. I think what's happened is that people have underestimated the amount of REEs that China sold in 2010 and 2011; when we saw huge hikes in prices, accompanied by uncertainties of supply. As a result, the West built up huge stockpiles of rare earths that was probably equivalent to three or four year's worth of consumption.

Over the last few years, we have seen what's happened. China has really clamped down on the illegal mining and supply... and that's really having an impact on the material that's available coming out of China. China's stockpiles have been run down. When people look at the present REE market situation, they say, 'when I look at metal pages, the prices are coming down and the volumes don't look that great.'

In 2010 and 2011, companies bought a lot of the illegal REE material that came out of China. They are now getting towards the end of that material. As a result, we are going to witness a big pick up in REE purchases toward the end of this year. We are going to see a recovery in prices in the fourth quarter, but more importantly, we are going to see a return to the volumes we saw a few years ago... in spite of the reduction of supply coming out of China. If we had the same reduction in the demand for hybrid vehicles, iPads and smartphones, we would have had millions of people laid off. That hasn't happened. The growth and demand for those consumer items – which consume a lot of rare earths in their manufacturing – has remained unchanged. And that, to me, is fundamental to the fact that rare-earth consumption has remained very much the same the past few years. It hasn't fallen. J.P. Morgan might have a different view, but my view is that the demand has remained very much the same and we are now in a situation that the stockpiles that were built up – because of panic – in 2010 and 2011 are being run down.

We are about to witness a rebirth and rejuvenation in the REE

space – specifically at the end of this year/beginning of 2014.”

The following is Professor Dudley J. Kingsnorth’s Presentation to the AusIMM Critical Minerals Conference 2013. Professor Kingsnorth’s subtheme was that the *Rare Earths Industry is Undergoing Rejuvenation*. The start-ups underway at Mountain Pass and Mt. Weld are providing comfort to the end-users so that they are ceasing to seek alternatives to use rare earths; which should lead to growth in demand. It is worth noting that under the influence of the global financial crisis and the limitations on production and exports put in place by China, global rare-earths demand has remained static at approximately 120,000tpa REO over the past 6 years (2008 to 2013 included). With the rebirth, Professor Kingsnorth believes that we will see a return to a growth in demand of 8% to 11% per annum over the coming years; resulting in total global demand of 160,000tpa REO in 2016 with a real prospect that demand will exceed 200,000tpa REO in 2020 for the first time. Nevertheless, the lack of any rest-of-world heavy rare earths producers remains a real concern to consumers, but is recognized as a real opportunity and being addressed by several junior companies.

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