

Malaysia's Decision is a Game Changer for Lynas Rare Earths

written by Tracy Weslosky | October 24, 2023

Lynas Rare Earths Ltd. (ASX: LYC), the Australian mining giant, recently breathed a sigh of relief. Malaysia's government granted the firm a pivotal extension on their operating license, allowing them to continue importing and processing raw materials laden with naturally occurring radioactive elements until March 2026.

Lynas Surges Ahead with Expansion Plans, Record Production & Solid Quarterly Results Despite Tesla's Rare Earths Comments

written by InvestorNews | October 24, 2023

[Lynas Rare Earths Limited](#) (ASX: LYC) ("Lynas") recently announced some positive news that the Malaysian authorities have advised that their license to import and process lanthanide concentrate is now valid until 1 January 2024, effectively a 6-month extension to get their Malaysian rare earths unit in line with environmental requirements.

Meanwhile, Lynas continues to oppose the Malaysian government's

'new' rules and is working on alternate facilities in Western Australia. Should the Malaysian situation not be resolved then Lynas has a backup plan. The announcement [stated](#):

"The licence variation allows the Lynas Malaysia cracking and leaching plant to continue to operate until 1 January 2024 and will remove the requirement for a shutdown at the Lynas Malaysia plant prior to 1 January 2024."

At the heart of the issue is that the Malaysian authorities say the cracking and leaching plant generates radioactive waste. Lynas argues that they are meeting the conditions as per their original agreement with the Malaysian government. Lynas stated:

"Lynas had applied to the MOSTI Minister for the removal of the conditions which limit operations at the Lynas Malaysia facility as they represent a significant variation from the conditions under which Lynas made the initial decision to invest in Malaysia."

We will have to wait until January 1, 2024, to see what happens next regarding Lynas operating its cracking and leaching plant in Malaysia.

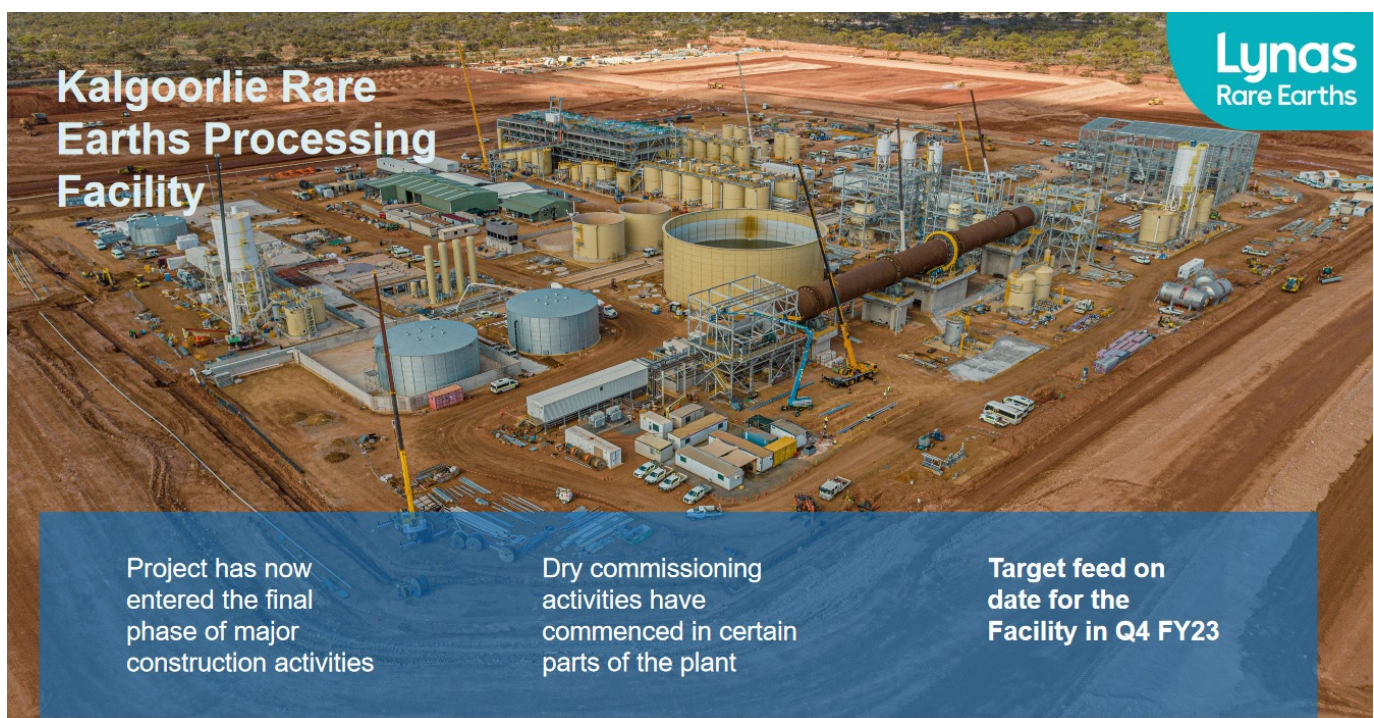
Lynas' Kalgoorlie Rare Earths Processing Facility is in the final stages of construction, feed to start this quarter (Q4/FY23 – Ending June 30)

Lynas has been rapidly building a backup rare earths processing facility in Kalgoorlie, Western Australia. Lynas [stated](#) that the

facility “has now entered the final phase of major construction activities, dry commissioning activities have commenced in certain parts of the plant, target feed on date for the Facility in Q4 FY23.”

Lynas plans to use rare earths carbonate feed from their Mt Weld Mine to feed the new Kalgoorlie rare earths processing facility once complete (noting a ramp-up period applies). The product would then be shipped to Malaysia for final processing.

FIGURE 1: Lynas’ under construction rare earths processing facility in Kalgoorlie Western Australia



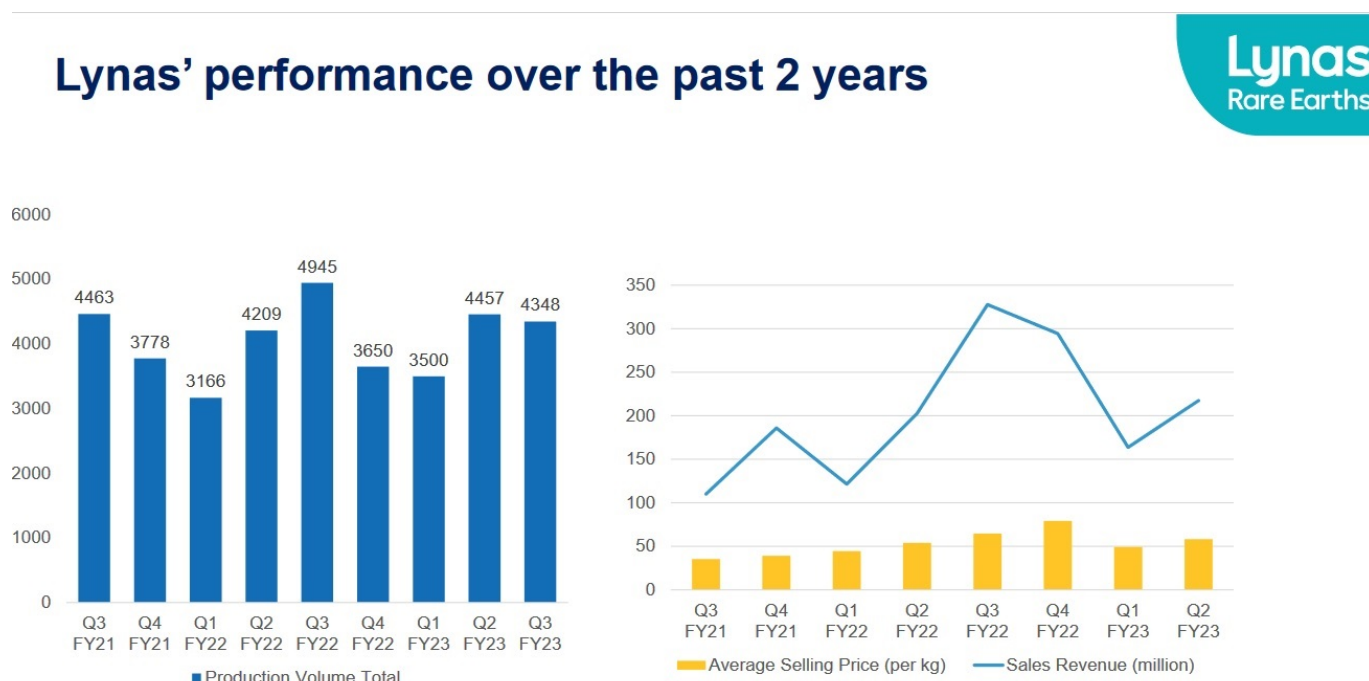
Source: [Lynas company presentation](#)

Lynas achieved record NdPr production in Q3/FY23 (Ending March 31)

In Q3/FY23 Lynas produced [4,348 tonnes](#) of total rare earths

oxide and a record [1,725 tonnes](#) of Neodymium-Praseodymium (“NdPr”). This resulted in [A\\$237.1 million](#) of revenue for the quarter. The chart below shows Lynas’ revenue trending slightly higher over the past 2 years on the back of solid production and prices.

FIGURE 2: Lynas’ last 2 years Total Rare Earth Oxides (“TREO”) production volumes and sales revenues



Source: [Company presentation](#)

USA LRE and HRE facilities update

The USA Light Rare Earth (“LRE”) and Heavy Rare Earth (“HRE”) facilities plan to be able to process both light and heavy rare earths.

Lynas has secured a greenfield site in an existing industrial zone in Texas, further progressed the detailed engineering design, and engaged a preferred U.S. Engineering, Procurement,

Construction, and Management (“EPCM”) contractor.

Tesla plans to use non-rare earths motors in their next generation vehicle

Lynas CEO, Amanda Lacaze, stated in the [Q3, FY 2023 earnings call](#):

“The neodymium iron boron [NbFe] magnet technology is the most energy efficient, because it is the lightest motor, and over the life time of the vehicle it gives you the best efficiency... ..and it has the lowest CO2 emissions... ..more are choosing NbFe technology than the alternative... ..today we find that demand still is ahead of our ability to service everyone who would like to buy Lynas NdPr... ..the current (price) softness is very much about internal China dynamics... ..but we at Lynas remain very confident of the long term trend and we know that the Chinese rare earth firms share that confidence. We remain committed to growing to meet the market and that’s one of the reasons why our ambitious capital investment plan continues.”

Closing remarks

Lynas is very well positioned in 2023 with [A\\$1.12 billion](#) in cash (as of March 31, 2023) and is on target with its expansion plans.

The 6-month Malaysian extension also means that Lynas’ rare earths production can continue uninterrupted, at least until January 1, 2024. At that point, the Kalgoorlie facility should hopefully be operating smoothly and ramping up production and offer an alternative should the Malaysia cracking and leaching

plant need to be shut down on January 1, 2024.

Lynas Rare Earths trades at a market cap of [A\\$6.82 billion](#) and a PE ratio (TTM) of [12.39](#).

Lynas Bets \$500 Million on Rare Earths Market Expansion

written by Melissa (Mel) Sanderson | October 24, 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."