

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

written by InvestorNews | May 22, 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.”

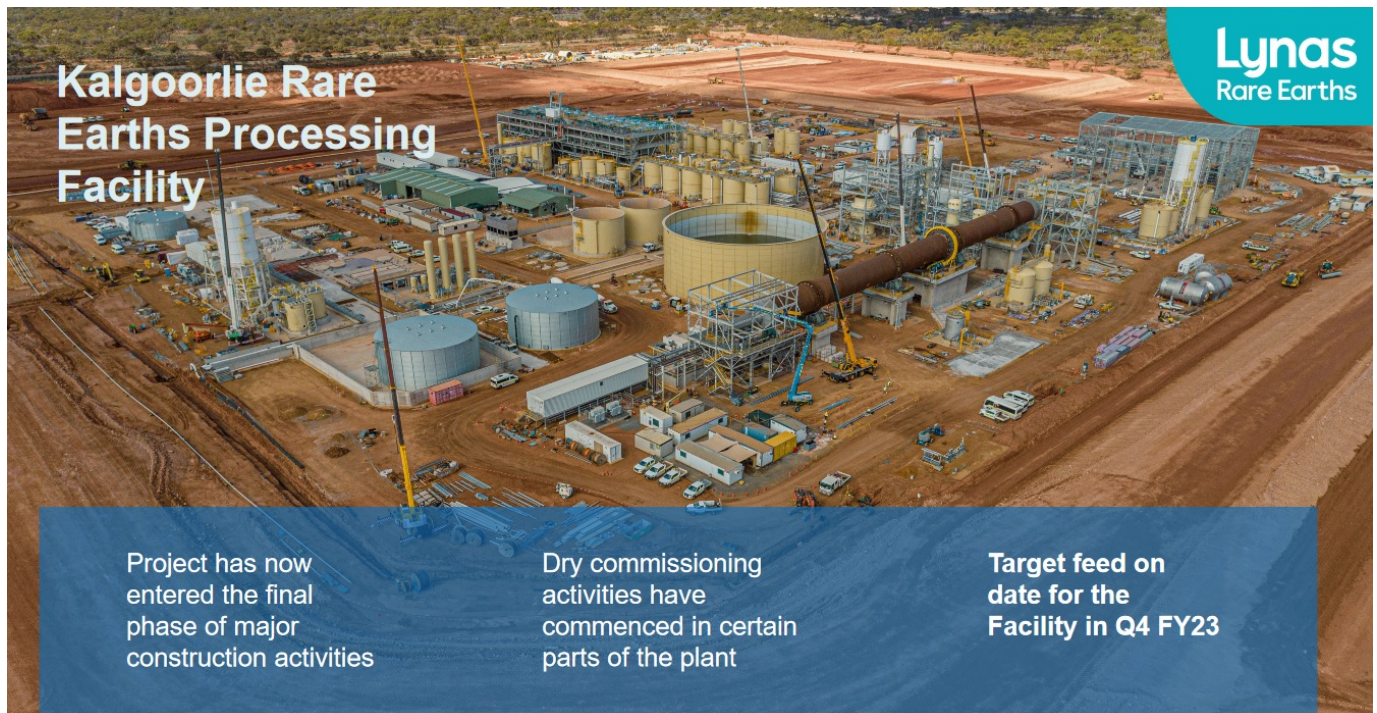
We will have to wait until January 1, 2024, to see what happens next regarding Lynas operating its cracking and leaching plant in Malaysia.

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



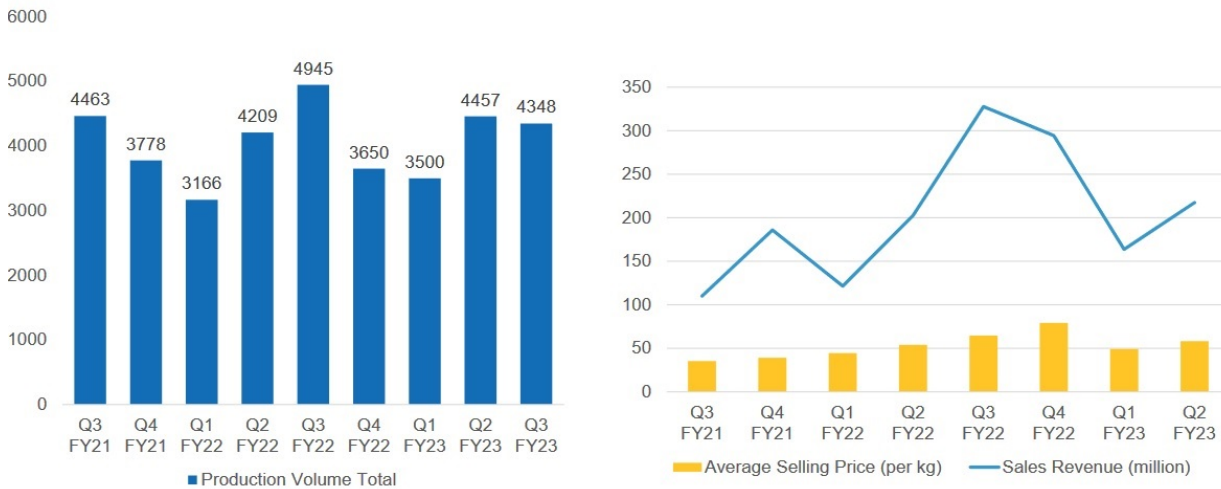
Source: [Lynas company presentation](#)

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

Lynas' performance over the past 2 years



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 [NdFe] 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](#).

As Chinese rare earths' stock prices rally, pressure rises for the rest of the world...

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Rising [US-China tension](#) has resulted in some rare earths' stock prices rising sharply, particularly those in China. Given the recent US moves to introduce [critical materials legislation](#) it seems likely that the non-Chinese rare earth stocks will also rally strongly this year, particularly if the new bills and financial support are passed.

Let's start with a recap of the recent US support highlights for rare earths:

- May 18, 2018 – The US declared a [list of 35 critical materials](#). A large part of the list includes rare earths.
- May 2, 2019 – U.S. Sen. Lisa Murkowski and others submitted the [American Mineral Security Act](#)
- In mid May, 2020, Senator Ted Cruz submitted the [Onshoring Rare Earths Act – the 'ORE Act'](#)
- On May 28, 2020 US Representative Michael Waltz submitted the [American Critical Mineral Exploration and Innovation Act of 2020](#)

The ORE Act focuses on six critical materials – **Rare earths**, scandium, lithium, cobalt, graphite, and manganese. The Critical Mineral Exploration and Innovation Act directs the U.S.G.S. to complete updated resource assessments for each critical mineral. It has been reported that there will be a focus on **rare earths** and other so-called strategic minerals.

Then just last week rare earths expert and [Technology Metals](#)

[Show](#) host Jack Lifton [stated exclusively to InvestorIntel](#): “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...”

Given all of the above proposed support to the rare earths sector, it is abundantly clear that the US is now finally moving rapidly to secure critical rare earths supply, particularly from US deposits, where possible. Current rare earths producers and listed rare earths stocks stand to be beneficiaries. Especially if they have US rare earths projects, but quite likely any non-Chinese rare earth juniors that can achieve funding and production should find very strong western demand for their products. Most of the western world is now looking to diversify their supply chains especially after the trade war and COVID-19 problems of the past 2 years.

Some rare earth miners with US projects include:

- MP Materials (private)
- Rare Element Resources Ltd. (OTCQB: REEMF)
- Texas Mineral Resources Corp. (OTCQB: TMRC)
- Ucore Rare Metals Inc. (TSXV: UCU | OTCQX: UURAF)

Some miners with US rare earth processing potential include:

- [Energy Fuels Inc.](#) (NYSE: UUUU | TSX: EFR) recently [stated](#) their White Mesa Mill in the USA could be used in future for rare earths processing.
- Lynas Corporation (ASX: LYC) has received US support for a planned US rare earths processing facility.
- Peak Resources (ASX: PEK) plan to have a US rare earths processing facility.

Some rare earth miners with Canadian projects include:

- [Avalon Advanced Materials Inc.](#) (TSX: AVL | OTCQB: AVLNF)
- [Appia Energy Corp.](#) (CSE: API | OTCQB: APAAF)
- [Search Minerals Inc.](#) (TSXV: SMY)

Some rare earth miners with Australian projects include:

- [Alkane Resources Ltd.](#) (ASX: ALK | OTCQX: ALKEF)
- [Scandium International Mining Corp.](#) (TSX: SCY)

Rare earths are vital ingredients for modern technology



Closing remarks

The massive recent news of two new rare earth/critical materials related Acts and a proposed “US\$2 billion towards rare earths in 2021”, appears to have been somewhat missed by the market. The Chinese rare earths stocks have already bounced leaving the potential rest of the world rare earth miners to play catch up.

News flow in future months should continue to be extremely promising for the rare earths sector following on from the tremendous news from the last few weeks.

Investors should not wait too long as any further increased US-China tensions, threats of China supply loss, or passing of rare earths related Bills, will likely send non-Chinese rare earth miners stock prices higher.