

Neo Performance and Hastings – Will Wonders Never Cease?

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The term “Holy Moley” is seldom, if ever, used by us but our powers of speech are severely hampered by trying to digest the implications of the [latest deal](#) in the rare earths space. [Neo Performance Materials Inc.](#) (TSX: NEO) has now succeeded in flooring us twice in two weeks.

First, there was its [announcement](#) that it was acquiring a rare earths elements (REE) mining project in Greenland and making all the right noises as if it was going to move that forward (and if anyone can, it would be them). And then we have the shock announcement that [Hastings Technology Metals Ltd](#) (ASX: HAS), the sometime REE developer in Australia, is to acquire a 22.1% strategic shareholding in Neo Performance Materials. We need not remind investors that Neo is not only a leading global rare earths processing and advanced permanent magnets producer, but it is **THE** leading global rare earths processing and advanced permanent magnets producer outside China, with a string of plants around the world and most particularly its Silmet plant in Estonia, which is a cornerstone of the monazite sands processing strategy of [Energy Fuels Inc.](#) (NYSE: UUUU | TSX: EFR).

The market cap of Neo, on the eve of this announcement, was CAD\$605 million. The acquisition has been agreed at a price of CAD\$15.00 per Neo share, representing a total consideration of CAD\$135 million. Bargain basement, indeed, in our view.

According to the release, the acquisition is intended to be funded by an AUD\$150 million strategic investment in Hastings by Wyloo Metals through the issuance of secured, redeemable,

exchangeable notes.

Interestingly, the stake is not a *de novo* investment by Hastings but rather the purchase of a stake from an affiliate of Oaktree Capital Management. Those with long memories will recall that this stake dates back to the ancient history of when Molycorp went spectacularly bust just under ten years ago and Neo was reconstituted bigger and better out of the ruins. The stake being vended by Oaktree consists of 8,974,127 common shares in Neo, representing a 22.1% shareholding.

The proposed acquisition provides Hastings (and Wyloo) with a strategic stake in Neo and exposure to the global downstream processing of rare earth materials into magnets.

We have written about Hastings' Yangibana deposit so long ago that we must fight through a veil of cobwebs to find what we wrote. The company claims that the project remains the key priority for Hastings, "with good progress being made on funding initiatives and other key milestones." But they would say that, wouldn't they?!

The acquisition of the Neo stake, and in particular the Wyloo investment, are subject to shareholder approval (50% voting threshold). All this begs the question as to whether Canada (or indirectly the US) will allow the crown-jewel (indeed the Queen on the REE chessboard) to pass into the hands of Wyloo Metals.

GM bets big on MP Materials

being the Holy Grail for an American rare earth magnet supply chain

written by Tracy Weslosky | August 26, 2022

What a difference a year makes as we review the reincarnation of the rare earths mining project in California, just across the Nevada border at the Mountain Pass mine – [MP Materials Corp.](#) (NYSE: MP), which began trading on the NYSE on November 18, 2020...announces a new rare earths magnet facility and binding long-term agreement with General Motors (GM).

Looking in the rear-view mirror for a moment, “Best Quarter Ever” would be their headline for their Q3-2021 just announced last month. By the numbers from Q3 alone, they should be proud – 98% uptime, steady and sustainable processing cost improvements, 46% margin – all things that point to a great quarter, especially with the increases in rare earths prices in the past 12 months. MP Materials saw a 127% increase in their realized rare earths oxide price compared to Q3-2020.

My phones are ringing, the experts are whispering a wide range of feedback to me as the ‘new and improved’ MP Materials still has many bridges to cross before the trust of those that rode the dusty trails on Mountain Pass previously will be rebuilt. Surely this is a good sign?

The GM deal with MP Materials is to “supply U.S.-sourced and manufactured rare earth materials, alloy and finished magnets for the electric motors in more than a dozen models using GM’s Ultium Platform, with a gradual production ramp that begins in 2023.”

The selection of Fort Worth, Texas as the location for the MP facility will be worthy of many debates but stands a distant second to the issues around securing the talent that can make this dream come true. These obvious challenges aside for a moment, management has delivered in clearly articulating where they are taking this REE program next. They told the market that the announcement of a Stage III facility would be made before the end of 2022 and here it is.

Kudos.

Mountain Pass is the only rare earths mining and processing site of commercial scale in the Western Hemisphere and currently produces approximately 15% of global rare earth content, according to them. The mine has been in production off and on since 1952 but was restarted in 2017. On going public, the MP Materials team highlighted their plan for Stage I (restore production and get the bugs out), Stage II (facilities to produce separated rare earths oxides) and Stage III (rare earths-based magnet production 2025-ish).

Sometimes you have to have a little luck to be good, toss in some deep pockets and MP Materials are reaching for quite a star, but I must confess their timeline is virtually inconceivable to everyone I know. Their original target for magnet production was 2025-ish and zealous. Now management is now saying 2023. In less than 24 months, MP Materials expects to permit and build a 200,000 square foot greenfield facility and commence commercial production of sintered permanent magnets. They also need equipment to do this – hopefully, it has already been ordered, because this is not a run-of-the-mill facility. Creating a sintered Neodymium-Iron-Boron (NdFeB) permanent magnet is not like building a washing machine, which GM must certainly be aware of. The development of permanent magnets originated in the US, but other than the equipment formerly-

owned by Hitachi Metals now acquired by another nascent US rare earth producer, the US has virtually no capacity to produce sintered NdFeB permanent magnets today.

Again, on paper, this looks like an absolutely incredible strategy to re-establish a domestic source of rare earths permanent magnets in NA. Music to many our ears, if they prove they can make this happen. Having been in these trenches for too long, my experience is that the few that have the experience may be counted on one hand, and while MP Materials pockets are deep – it's going take every bit of their cash to build the magnet facility and get it operational, especially with the Stage II plans for Mountain Pass still to be executed.

With the valuation on this stock being priced as if Stage III has been accomplished and at full production, MP Materials needs this to work, as does General Motors. It's a big bet.